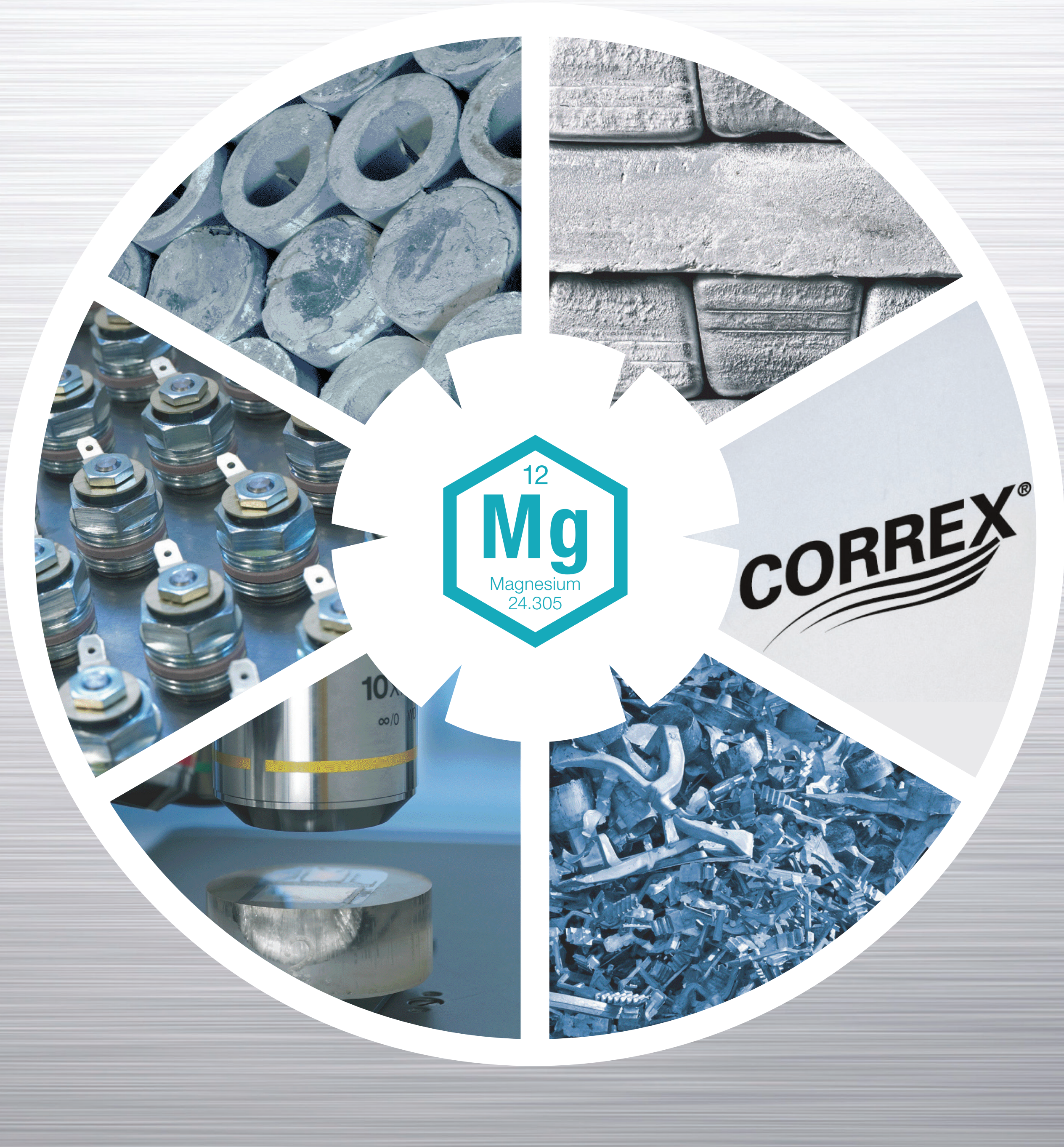
MAGONTEC

HALF YEAR REPORT 2016



CORPORATE INFORMATION AND GLOSSARY

1. Corporate information

The consolidated financial statements of Magontec Limited and its controlled subsidiaries as listed in Note 4.1 herein (collectively, the Group) for the 6 months to 30 June 2016 were authorised for issue in accordance with a resolution of the directors on 25 August 2016. Magontec Limited is a company limited by shares incorporated in Australia. The shares are publicly traded on the Australian Securities Exchange under the code "MGL".

2. Glossary of entities referred to in this report

Formal Name of Entity	Description of Entity	Referred to As
Head office entities		
Magontec Limited	The ultimate parent/holding company of the Group	**The Company or MGL**
Advanced Magnesium Technologies Pty Limited	Wholly owned subsidiary of Magontec Limited that acts as the administrative operating entity.	**Advanced Magnesium Technologies Pty Limited**
Varomet Holdings Limited	The holding company that owns the Group's operating businesses at Bottrop (Germany), Xi'an (PRC) and Suzhou (PRC). In turn, Magontec Limited owns all of the ordinary shares issued by Varomet Holdings Limited.	**VHL**
Operating entities		
Magontec GmbH	The wholly owned entity that owns the Group's operations in Bottrop, Germany	**MAB**
Magontec SRL	The wholly owned entity that owns the Group's operations in Santana, Romania	**MAR**
Magontec Xi'an Co Ltd.	The wholly owned entity that owns the Group's operations in Xi'an, PRC	**MAX**
Magontec Qinghai Co. Ltd.	The wholly owned entity that owns the Group's operations in Qinghai, PRC	**MAQ**
Magontec Shanxi Company Limited	The joint venture operations in Jishan, Shanxi province PRC	**MAY**
Magontec Suzhou Co Ltd	The wholly owned entity that owns the Group's operations in Suzhou, PRC	**MAS**
Major related shareholders		
Qinghai Salt Lake Magnesium Co. Limited	A subsidiary of Qinghai Salt Lake Industry Co. Limited (a company listed on the Shenzhen Stock Exchange) and a shareholder in MGL to the extent of 29.19% at the date of this report.	**QSLM**
Straits Mine Management Pty Limited	The company from which MGL acquired the Magontec group of companies on 4 July 2011. SMM remains a substantial shareholder of Magontec at the date of this report.	**SMM**
KWE (HK) Investment Development Co Ltd	Shareholder in Magontec Limited. Mr Zhong Jun Li, a director of Magontec Limited is also a director and shareholder of KWE(HK) Investment Development Co Ltd.	**KWE (HK)**
	People's Republic of China	**PRC**

3. 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 totals 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.

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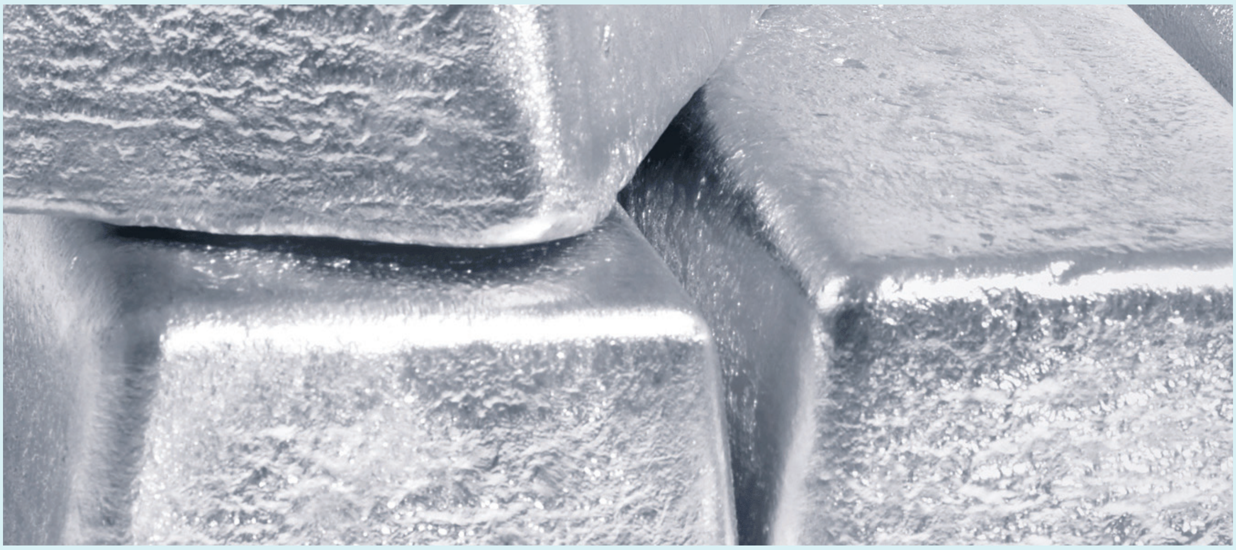


ABOUT MAGONTEC

A leading manufacturer of magnesium alloys and Cathodic Corrosion Protection (anode) products made from magnesium and titanium

Building a magnesium alloy cast house at Golmud in Qinghai Province PRC. The Magontec Qinghai facility will produce magnesium alloys from an electrolytic source of pure magnesium powered by renewable energy. This facility will offer customers the World's lowest CO_2 embedded magnesium alloy material

The only western magnesium alloy producer with its own Chinese primary magnesium alloy manufacturing base, magnesium recycling facilities in Europe and Asia, global sales and logistics capability and an active commitment to research & development

A pioneer in the fields of magnesium alloy and anode products with vast experience in production and development of new alloy and anode applications

Building an operating base for the future with investment in new plant and equipment in Asia and Europe

DIRECTORS' REPORT

The Directors of Magontec Limited submit herewith the Half Year Financial Report of the Group for the six month period ended 30 June 2016. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors who held office during the reporting period and to the date of this report were:

– Mr Nicholas Andrews (Executive Chairman)	
– Mr Xie Kangmin (Non-Executive Director)	Re-appointed 8 May 2015
– Mr Li Yong (Alternate Director to Mr Xie Kangmin)	Appointed 29 May 2014
– Mr Li Zhongjun (Non-Executive Director)	Re-appointed 8 May 2015
– Mr Robert Shaw (Independent Director)	Re-appointed 29 May 2014
– Mr Robert Kaye (Independent Director)	Re-appointed 29 May 2014
– Mr Andre Labuschagne (Non-Executive Director)	Re-appointed 11 May 2016

Review of Operations

For the six months ended 30 June 2016 the consolidated profit after tax from continuing operations was -	**$80,773**
For the six months ended 30 June 2015 the consolidated (loss) after tax from continuing operations was -	**($427,534)**

Corporate

The 33rd annual general meeting of the Company was held on 11 May 2016.

As at the date of this report, the composition of the committees of the Board are as follows.

Remuneration and Appointments Committee

Chairman: Robert Kaye (Independent Director)
Robert Shaw (Independent Director)
Li Zhongjun (Non-Executive Director)

Finance, Audit & Compliance Committee

Chairman: Robert Shaw (Independent Director)
Xie Kangmin (Non-Executive Director)
Andre Labuschagne (Non-Executive Director)

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required by S307C of the Corporations Act 2001 is set out on page 9.

This Report is made in accordance with a resolution of the Directors.

Nicholas Andrews
Executive Chairman

Sydney
31 August 2016

EXECUTIVE CHAIRMAN'S REPORT

SIX MONTHS TO 30 JUNE 2016 HIGHLIGHTS

	6 months to 30 June 16 '$000	6 months to 30 June 15 '$000	% change pcp
Gross profit	7,406	5,897	+ 25.6%
Operating expenses	(5,689)	(5,595)	+ 1.7%
EBITDA (excluding unrealised FX)	2,345	1,093	+ 114.5%
Interest expense	(622)	(648)	(4.0%)
Net profit after tax (excluding unrealised FX)	509	(566)	
Underlying operating cash generation	2,353	1,152	+ 104.3%

SAFETY REPORT

- No serious accidents at any of Magontec's plants in the first six months of 2016

MAGONTEC QINGHAI PROJECT

- Capex program drawing to a close
- First ingot casting line in final hot commissioning phase
- Equipment installation for entire cast house to complete by end of September 2016
- QSLM commences hot commissioning of dehydration and electrolytic cell units in August 2016
- First production of magnesium alloys now expected first quarter 2017

OPERATIONS

- EBIT margin improvement in all business units
- EBIT contribution (excluding FX) from EU businesses + 494%
- EBIT contribution from PRC magnesium alloy + 43%
- Romanian magnesium alloy recycling volumes + 37%
- PRC magnesium anode volumes + 19%
- Further cost efficiencies achieved at Shanxi primary magnesium alloy factory

FINANCIAL

- Key Chinese banking facilities renewed in 1H16
- Capex of $1.4 million in six months to 2016
- Cash on consolidated balance sheet of $6.2 million at 30 June 2016

EXECUTIVE CHAIRMAN'S REPORT
continued

SUMMARY

Over the last six months Magontec has experienced a steady improvement in underlying profitability in all its operating activities. It is very pleasing to see that the impact of our efforts and investments of the last 24 months have begun to bear fruit. At the same time we are closing in on the commencement date for production at Magontec Qinghai, where our new 56,000 metric tonne per annum magnesium alloy production plant is located in Qinghai Province, PRC.

Nicholas Andrews
Executive Chairman

Importantly, as the Magontec business gears up for a major expansion at Qinghai, there have been no serious accidents at any of the primary magnesium alloy, magnesium alloy recycling or magnesium anode manufacturing facilities.

As in previous years foreign exchange fluctuations have had a very pronounced impact on the Magontec Profit & Loss account. Underlying cash generation is considerably stronger than the Reported Profit After Tax number suggests. Gross Profit rose 25.6% over the previous corresponding period and the margin on sales rose from 8.7% to 11.2%. Magontec has also experienced a strong improvement in EBIT margins, the result of a continuing focus on costs and the benefits of operational leverage as volumes grow, particularly in the higher margin businesses.

	6 months to 30 June 16 '$000	6 months to 30 June 15 '$000
Reported Profit After Tax	81	(428)
Add back unrealised FX loss/(subtract unrealised FX gains)	428	(138)
Net profit After Tax excluding unrealised FX	**509**	**(566)**

Over the last 12 months and in the coming period we expect to continue to see our businesses expand in new regions and through new distribution channels. The Magontec business platform is now well positioned to further expand activities and generate new revenues and profits.

While volume growth has not been accessible in all areas (in fact sales of magnesium alloys to Chinese domestic customers have declined) we have broadly been able to improve processes and production techniques to generate higher margins. Furthermore the overall business is considerably more flexible than it was 12 months ago and better able to manage the order flow volatility that is common in the magnesium metals and downstream anode manufacturing businesses. In the coming months we expect to introduce new machinery and processing technologies, which will allow Magontec to continue to improve competitiveness.

Group cash flow, shown in the tables in the financial report, demonstrates the strength of the improvement in Magontec's combined businesses. Underlying operational cash flow rose from A$1.2 million in the six months to 30 June 2015 to A$2.4 million in the six months to 30 June 2016. As expenditure on the major new facility in Qinghai draws to a close we are examining opportunities to re-enter the magnesium alloy recycling market in Asia and looking at new opportunities in the Americas. While re-cycling is not a high margin business it is an essential product offering. Magnesium die casters, our principal customers, convert between 40% and 70% of the material they buy from Magontec into scrap. These companies require a regional magnesium alloy recycling option to optimise the economics of downstream manufacturing activities and to maintain a competitive position relative to other materials.

1. Qinghai Magnesium facility showing (L to R):

a. Dehydration units
b. Electrolysis cell house
c. Cast house

And in the foreground the electricity substation

QINGHAI MAGNESIUM ALLOY CAST HOUSE PROJECT

At the Golmud facility in Qinghai Province PRC, Magontec continues to commission equipment in anticipation of delivery of liquid pure magnesium from the electrolytic smelter of Qinghai Salt Lake Magnesium (QSLM) our partner and largest shareholder. As shareholders will be aware, QSLM has constructed an electrolytic smelter with annual output capacity of 100,000 metric tonnes of pure magnesium. Adjacent to this facility Magontec has constructed a magnesium alloy cast house with the capacity to take 56,000 metric tonnes per annum of QSLM's planned output.

In the 3 months since our last communication to shareholders, the Magontec Qinghai commissioning team have focused on preparing the Phase A ingot casting line (the first line to be installed), together with the automated cooling and packaging line, for production.

We have already cast many tonnes of ingots in four trials and, notwithstanding some minor adjustments now taking place, we are pleased to report that our newly installed equipment has performed well and will be ready to receive material from QSLM when the electrolytic smelter is also hot commissioned. Magontec's new magnesium alloy cast house will receive raw material in liquid form, directly from the QSLM electrolytic cells.

For operational reasons we have decided to bring forward the installation of the fourth ingot casting line so that our Magontec Qinghai team can focus on bringing the entire magnesium alloy cast house into a fully commissioned state, including regulatory approvals, by the end of September 2016. We have decided that this will be a more efficient way of managing the overall commissioning process and will allow us to conduct trials on all four Magontec Qinghai production lines as liquid pure magnesium becomes available from the hot commissioning and early production stages of the QSLM electrolytic smelter.

While there remains much work for the Magontec Qinghai commissioning team to do, it is pleasing to have completed a number of successful trials on the first magnesium alloy ingot casting line prior to full and final installation of production and electronic control equipment in this most important investment.

The critical phase of the project now moves to the hot commissioning of other parts of the smelter complex, owned and operated by Magontec's partner, QSLM. The first stage of the process is brine purification. This has been fully commissioned and is now ready for production. The second stage comprises two 50,000mtpa dehydration units, perhaps the most complex part of the process. Unit #1 has been cold commissioned and will commence hot commissioning by the end of August 2016. Unit #2 will start cold commissioning shortly thereafter. The final production stage (prior to delivery of raw material to the Magontec magnesium alloy cast house) is the electrolytic, or reduction, cell house. This stage comprises 68 reduction cells. It was completed some months ago and has been cold commissioned. Currently it is undergoing trials using MgCl2 supplied from an outside source. By this method Magontec Qinghai has been receiving small supplies of pure magnesium for its own magnesium alloy cast house trials over the last few months.

While we are close to commercial production of material from our new cast house it seems likely that there will be a slow ramp up of supply; from a few tonnes a day in the fourth quarter 2016 to a few thousand tonnes in the first half of 2017.

EXECUTIVE CHAIRMAN'S REPORT
continued

The hot commissioning process is unpredictable and while Magontec is in large part prepared for commercial production in its own cast house, the delivery of liquid magnesium in commercial quantities is via a large complex project and the timetable remains subject to variation.

OPERATIONS – ASIA

The overall Chinese magnesium alloy business has made another strong positive contribution and is tracking ahead of budget for the first half of calendar year 2016. At the EBIT level this business unit is now over 40% ahead of the first half of 2015.

In China our Shanxi-based primary magnesium alloy manufacturing operations continue to perform well.

This improvement has been driven by further production efficiencies and the absence of one-off costs associated with the closure of the Suzhou recycling facility. Compared with the first half of 2015, volumes in the period under review have fallen by 18%, in part because of the Suzhou closure but also because we have selectively withdrawn from areas of the Chinese domestic market where credit risk is deemed to be too high. Indeed in the first half of 2016 we have taken another bad debt expense of A$202,000. Chinese domestic sales have also suffered from a decline in demand from electronics manufacturers and a slight slowing in the broader consumer market.

In the six months to 30 June 2016 we have continued to witness heavy discounting by our domestic Chinese magnesium alloy competitors. This has been an ongoing issue for Magontec. As a publicly listed Australian company competing with private Chinese entities Magontec does not operate on the same tax and commercial footings. However, we have begun to see greater efforts on the part of the Chinese tax authorities, particularly through the enforcement of VAT payments. We expect this to level the playing field for Magontec in both domestic and international markets. The commencement of production of magnesium alloys at Qinghai is also expected to further enhance Magontec's competitive position.

The magnesium anode business, supplying cathodic corrosion protection devices to Asian water heater manufacturers, has also enjoyed a strong first half with volumes rising by 19% delivering a sharply improved contribution to group profitability. Manufacturing efficiency gains have allowed our Chinese business to penetrate new markets in Asia and in the Americas. This growth in volumes has had a positive impact on margins despite lower average selling prices. In the months ahead we will be embarking on a new round of automation in our Chinese factories to further reduce costs and improve competitiveness. We will also begin to introduce higher performance anodes into the high-end Chinese water heater sector. A theme over the coming years will be the shift to a more consumer-orientated market in Asia. Demand for high quality consumer products will likely grow the average value of Magontec's domestic anode unit sales as the balance of our Asian sales moves towards higher end products.

OPERATIONS – EUROPE AND NORTH AMERICA

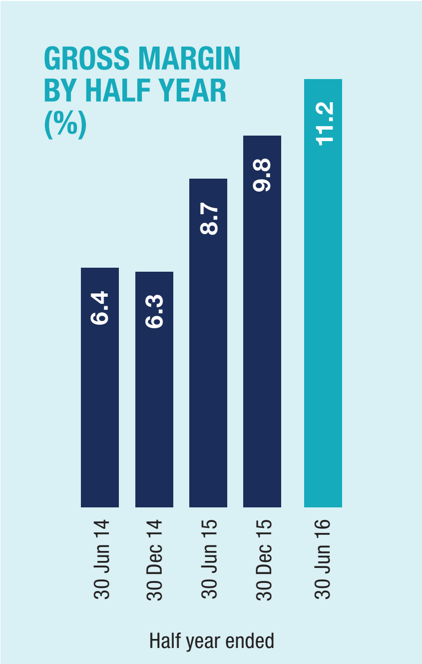
Magontec's European magnesium alloy recycling operations experienced a strong first half with volumes and profitability well ahead of 2015. In Western Europe our German factory has experienced steady volumes and benefitted from production efficiency gains, achieved over the last 18 months, through a combination of new investment in plant and machinery and changes to operating processes. Further enhancements to production efficiency are anticipated in the coming 12 months, although of a lower order.

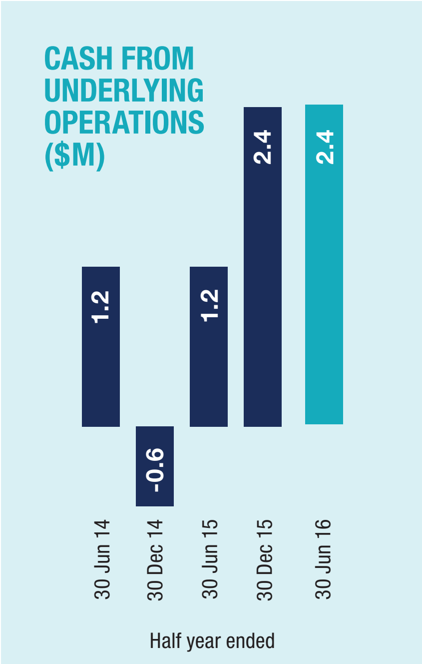
Despite efficiency gains there remains spare capacity at this facility as currency values have enhanced international trade in scrap magnesium alloys at the expense of domestic European processors. This is a cyclical event and may change again in the coming months. Importantly, Magontec in Germany is among the lowest cost magnesium alloy recyclers in the region and is well placed to benefit from rising volumes across the European industry. In the first 6 months of 2016 magnesium alloy imports from China into Europe have risen by nearly 12% compared with a 6% increase in overall Chinese export volumes.

Magontec's Romanian magnesium alloy recycling business has continued to improve its output and production metrics quarter on quarter for the last 12 months.

In the six months to 30 June 2016 Romanian recycling volumes were up by over 37% compared with the first half of 2015, delivering a strong contribution to group EBIT.

The European magnesium anode business has also experienced a strong improvement on the previous corresponding period. As we have noted in previous commentaries, this is an extremely competitive sector. Our response has been to broaden our marketing activities into new regions, particularly the Middle East, to improve production efficiencies and address new distribution channels into traditional markets. While volumes have increased by just 3% over the previous corresponding period, profit contribution at the EBIT level was positive, a pleasing and commendable turnaround for a business that was loss making in 2014 and the first half of 2015. There remains significant scope for further improvement in this business unit. We have invested heavily in marketing and new equipment and will continue to improve our offering and competitiveness in European and Middle Eastern markets in 2016 and 2017.





Accounting earnings reconciliation

The reported net profit after tax of $81,000 for the 6 months to 30 June 2016 was well ahead of the loss of $428,000 recorded in the prior corresponding period. When adjusted to exclude unrealised FX movements, this improvement was further enhanced as the Australian dollar strength as at 30 June 2016 had a negative impact.

In addition, the current half saw the recognition of a A$202,000 bad debt provision with respect to a debtor in China. The weak macroeconomic environment in the PRC means that Magontec continues to focus on credit risk management in this region. This includes utilising debtor insurance where available and considered appropriate as well as tightening credit limits to certain customers.

FINANCIAL REPORT

During the 6 months to 30 June 2016, Magontec performed strongly on an operational level with the consolidated gross margin coming in at 11.2% (30 June 2015: 8.7%). This improvement was broad based and the company continues to benefit from a combination of production efficiencies and greater economies of scale from increased volumes across both the metal and anode businesses.

This drove an uplift in underlying operating cash flow generation to $2.4 million for the half, a large increase over the prior corresponding period. This is the key metric that management monitors internally. This figure excludes working capital movements that can have a large impact on overall operating cash flow for any given period, but are generally only a reflection of timing differences.

	6 months to 30 June 16 '$000	6 months to 30 June 15 '$000
Net Profit After Tax	**81**	**(428)**
Add back unrealised FX losses/(subtract unrealised FX gains)	428	(138)
Net Profit After Tax excluding unrealised FX	**509**	**(566)**
Significant non cash items		
Add back non cash equity expense	183	174
Add back significant bad debt provision	202	–
Adjusted Net Profit After Tax	**894**	**(391)**

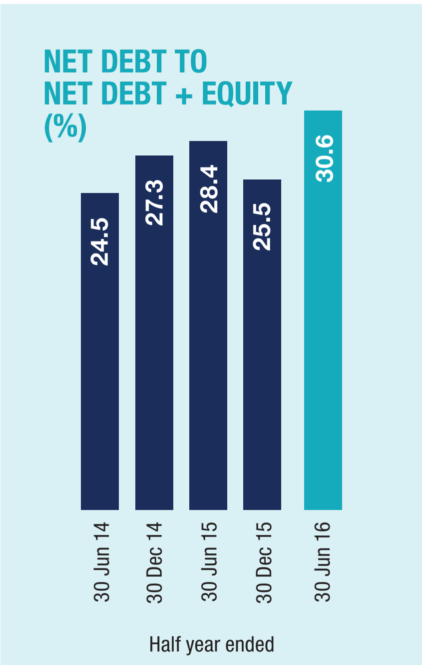
EXECUTIVE CHAIRMAN'S REPORT

continued

Balance sheet, working capital and banking facilities

Magontec's balance sheet gearing was 30.6% as at 30 June 2016 on a net debt to net debt + equity basis (31 Dec 2015: 25.5%). Although this ratio has increased slightly due to higher debtors and inventory at balance date, it remains within our expectations when compared with historical levels.

Magontec's banking partners continue to remain supportive of the business. During April 2016, the RMB 20m facility provided by Communications Bank in China was renewed and the company retains $5.8 million of head room on its existing facilities in addition to $6.2 million of cash on the balance sheet at the end of period.



PROSPECTS FOR FUTURE YEARS

Over the next 12 months our focus will be on the final commissioning and commencement of production at the Magontec Qinghai magnesium alloy cast house. When this facility comes on stream Magontec will be in a position to market a highly competitive product to its customer base all over the World. While our primary concern is the safe and successful start-up of this very complex project we look forward to offering generic and specialist magnesium alloys that boast a lower embedded CO_2 than any other magnesium material offered anywhere else in the World. Our customers in Europe, the Americas and Asia have displayed great enthusiasm for this new product and we look forward to commencing process and material qualification trials in the second half of 2016. Our largest customers are in the automotive industry where embedded CO_2, along with CO_2 emissions, is an area of increasing focus.

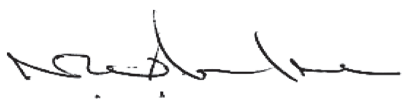
As we have discussed in previous commentaries Magontec has expended much effort and capital to reform its operating base over the last 3 years so that it can manage the challenges in key markets with greater confidence. We have invested heavily in new sales and marketing personnel to better access our customers and to develop new sales channels. Developing a more sophisticated approach to markets and production processes allows us to manage costs and exploit opportunities more effectively.

Over the next few years, as the industry's only truly global magnesium alloy manufacturer and distributor, Magontec has a number of unique opportunities. We have examined opportunities to broaden our offering through exploiting and further developing our comprehensive magnesium alloy intellectual property portfolio. In addition to the AE family of alloys, where much progress has been made in recent years, Magontec is now the owner of a number of additional patents that were previously the property of CAST CRC, a research entity with whom Magontec had a long standing association until its closure in 2015. The future of Magontec research, which plays an important part in delivering higher margins to our magnesium alloy manufacturing business, now lies with a global group of universities and research foundations who choose to collaborate with one of the World's leading magnesium alloy businesses. We will also develop a new research group in association with our Chinese partners at QSLM, who are keen to invest in new technologies and new opportunities to exploit the unique characteristics of magnesium metals.

The outlook for Magontec's downstream magnesium businesses is also bright. Investment in automation has allowed Magontec to compete more aggressively in the magnesium cathodic corrosion markets all over the World. This process has considerable scope for further improvements and, with both our Asian and European anode businesses generating positive cash, we are in a strong position to continue to reinvest and put a greater distance between our business and those of our competitors, in terms of quality, price and service.

There remain some very significant hurdles ahead for Magontec and our markets will remain challenging and competitive. Our Chinese business operates in markets that are volatile and subject to considerable economic pressures. In Europe our recycling business has seen a reduction in volumes presenting challenges for our German facility in particular. Our major customers worldwide are the OEMs and Tier 1 manufacturers in the automotive industry, which have considerable challenges of their own including product recalls and high environmental targets. Some of these are good for Magontec and others not so good. The outlook for a major Magontec customer, Takata, is as yet unknown.

It is not possible at this stage, prior to the commencement of the Magontec Qinghai Project, to give any earnings guidance. The start-up phase at Qinghai incorporates a number of risks that are difficult to assess with any great confidence. However, as long term shareholders and followers of Magontec will recognise, there has been much improvement in the underlying businesses over the last 12 months.



Nicholas Andrews
Executive Chairman & CEO

31 August 2016

AUDITOR'S INDEPENDENCE DECLARATION

CAMPHIN BOSTON
CHARTERED ACCOUNTANTS

AUDITOR'S INDEPENDENCE DECLARATION

The Board of Directors
Magontec Limited
Suite 1.03, 46A Macleay St
Potts Point NSW 2011

Dear Board Members,

In accordance with the requirements of section 307C of the Corporations Act 2001, we hereby declare, that to the best of our knowledge and belief, during the half-year ended 30 June 2016 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

Camphin Boston
Chartered Accountants

Justin Woods
Lead Audit Partner

Sydney

Dated this 31 August 2016

Camphin Boston
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INDEPENDENT AUDITOR'S REVIEW REPORT

CAMPHIN BOSTON
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MAGONTEC LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Magontec Limited and Controlled Entities, which compromises the consolidated balance sheet as at 30 June 2016, consolidated comprehensive income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Magontec Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls to enable the preparation of the half-year financial report that provides a true and fair view and is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance for the half-year on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Magontec Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence Declaration

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Magontec Limited would be on the same terms if provided to the directors as at the date of this auditor's review report.

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CAMPHIN BOSTON
CHARTERED ACCOUNTANTS

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Magontec Limited and its controlled entities is not in accordance with the Corporations Act 2001 including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Camphin Boston
Chartered Accountants

Justin Woods
Partner

Level 9, 5 Elizabeth Street, Sydney NSW 2000

Dated: 31 August 2016

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DIRECTORS' DECLARATION

The Directors declare as follows:

a. in the Director's opinion, there are reasonable grounds to believe that there is no intention or necessity to close the current operations or cease trading within twelve months from the date of this report;
b. in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
c. in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors pursuant to s. 303(5) of the Corporations Act 2001.

On behalf of the Directors

Nicholas Andrews
Executive Chairman

Sydney
31 August 2016

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

for the half-year ended 30 June 2016

	Note	6 months to 30 Jun 2016 $'000	6 months to 30 Jun 2015 $'000
Sale of goods	4.3	66,392	68,080
Cost of sales	4.3	(58,986)	(62,184)
Gross profit		**7,406**	**5,897**
Other income	10	190	211
Interest expense		(622)	(648)
Impairment of inventory, receivables & other financial assets		(202)	–
Travel accommodation and meals		(375)	(384)
Research, development, licencing and patent costs		(134)	(199)
Promotional activity		(29)	(20)
Information technology		(151)	(166)
Personnel		(3,270)	(3,222)
Depreciation & amortisation		(248)	(238)
Office expenses		(210)	(132)
Corporate		(1,500)	(1,443)
Foreign exchange gain/(loss)		(404)	128
Other operating expenses		(19)	(30)
Profit/(Loss) before income tax expense/benefit from continuing operations		**432**	**(245)**
Income tax (expense)/benefit		(351)	(183)
Profit/(Loss) after income tax expense/benefit from continuing operations		**81**	**(428)**
Profit/(Loss) after income tax expense from discontinued operations		–	–
Profit/(Loss) after income tax expense/benefit including discontinued operations		**81**	**(428)**
Other Comprehensive Income - that may later emerge in the Profit and Loss Statement			
Exchange differences taken to reserves in equity – translation of overseas entities		(819)	384
Other Comprehensive Income - that will not emerge in the Profit and Loss Statement			
Movement in various actuarial assessments		(558)	7
Total Comprehensive Income		**(1,296)**	**(37)**

	Note	6 months to 30 Jun 2016	6 months to 30 Jun 2015
Earnings/(Loss) per share from continued and discontinued operations			
Basic (cents per share)	9	0.007 cents	(0.038) cents
Diluted (cents per share)	9	0.007 cents	(0.038) cents
Earnings/(Loss) per share from continuing operations			
Basic (cents per share)		0.007 cents	(0.038) cents
Diluted (cents per share)		0.007 cents	(0.038) cents

Notes to the financial statements are included on pages 17 to 24.

CONSOLIDATED BALANCE SHEET

as at 30 June 2016

	Note	30 Jun 2016 $'000	31 Dec 2015 $'000
Current assets			
Cash and cash equivalents	7	6,192	8,490
Trade & other receivables	11.1	25,379	22,163
Inventory		25,818	26,316
Other		416	220
Total current assets		**57,805**	**57,188**
Non-current assets			
Other receivables		1,064	1,092
Property, plant & equipment		19,741	19,567
Deferred Tax Asset		1,532	1,653
Intangibles		2,940	3,028
Total non-current assets		**25,278**	**25,339**
TOTAL ASSETS		**83,083**	**82,528**
Current liabilities			
Trade & other payables	11.2	16,520	16,276
Bank Borrowings	13	21,189	20,272
Provisions		676	497
Total current liabilities		**38,384**	**37,045**
Non-current liabilities			
Other payables		149	149
Bank Borrowings	13	–	235
Provisions		10,502	9,937
Total non-current liabilities		**10,651**	**10,322**
TOTAL LIABILITIES		**49,035**	**47,367**
NET ASSETS		**34,048**	**35,161**
Equity attributable to members of MGL			
Share capital	6	58,616	58,433
Reserves	12	5,568	6,945
Accumulated (losses)/profits		(30,599)	(30,680)
Equity attributable to minority interests			
Share capital	6	463	463
Reserves	12	–	–
Accumulated (losses)/profits		–	–
Total equity		**34,048**	**35,161**

Notes to the financial statements are included on pages 17 to 24.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 30 June 2016

	Share Capital								
	Ordinary $'000	Options Valuation $'000	Retained Earnings[2] $'000	FCTR[1,2] $'000	Capital Reserve $'000	Actuarial Reserve $'000	Expired Options Reserve $'000	Minority Interests $'000	Total Equity $'000
Balance 1 Jan 2016	**58,433**	**–**	**(30,680)**	**4,343**	**2,750**	**(1,785)**	**1,637**	**463**	**35,161**
Profit/(Loss) attributable to members of parent entity	–	–	81	–	–	–	–	–	81
Other	–	–	–	–	–	–	–	–	–
Comprehensive income	–	–	–	(819)	–	(558)	–	–	(1,377)
Issue of shares	183	–	–	–	–	–	–	–	183
Balance 30 Jun 2016	**58,616**	**–**	**(30,599)**	**3,524**	**2,750**	**(2,343)**	**1,637**	**463**	**34,048**
Balance 1 Jan 2015	**58,262**	**–**	**(30,725)**	**3,734**	**2,750**	**(1,917)**	**1,637**	**463**	**34,205**
Profit/(Loss) attributable to members of parent entity	–	–	(428)	–	–	–	–	–	(428)
Other	–	–	–	–	–	–	–	–	–
Comprehensive income	–	–	–	384	–	7	–	–	390
Issue of shares	173	–	–	–	–	–	–	–	173
Balance 30 Jun 2015	**58,435**	**–**	**(31,152)**	**4,118**	**2,750**	**(1,910)**	**1,637**	**463**	**34,340**

(1) FCTR = Foreign Currency Translation Reserve.

(2) During the period, A$1.3m of the FCTR was reclassified into retained losses. As this adjustment originally related to the half year ended 31 December 2012, opening balances of the FCTR and retained earnings have been updated in both the current period and prior comparative period accordingly. No impact on overall equity balance as at 30 June 2016.

Notes to the financial statements are included on pages 17 to 24.

CONSOLIDATED CASH FLOW STATEMENT

for the half-year ended 30 June 2016

	6 months to 30 Jun 2016 $'000	6 months to 30 Jun 2015 $'000
Cash flows from operating activities		
Profit before taxation	**432**	**(245)**
Adjustments for:		
– Non-cash Equity expense	183	174
– Depreciation & amortisation	863	827
– Foreign currency effects	428	(228)
– Other Non-cash items	447	622
Cash generated from/(utilised in) underlying operating activities	**2,353**	**1,152**
Movement in working capital balance sheet accounts		
– Trade and Other Receivables	(5,265)	(1,901)
– Inventory	(18)	6,696
– Trade and Other Payables	1,835	(5,971)
– Other	–	354
Cash generated from/(utilised in) working capital accounts	**(3,448)**	**(822)**
Cash generated from/(utilised in) underlying operational cash flow and net working capital assets	**(1,094)**	**330**
– Net Interest paid	(596)	(612)
– Income tax paid	(53)	(13)
Cash generated from/(utilised in) operating activities	**(1,744)**	**(295)**
Cash flows from investing activities		
Net cash out on purchase/disposal of property, plant & equipment	(1,394)	(1,579)
Group Information Technology software	(6)	(23)
Security Deposit	–	886
Other	–	26
Net cash provided by/(used in) investing activities	**(1,399)**	**(690)**
Cash flows from financing activities		
Bank Debt	1,010	2,780
Net capital raised from issue of securities	–	(2)
Net cash provided by financing activities	**1,010**	**2,779**
Net increase/(decrease) in cash and cash equivalents	**(2,133)**	**1,794**
Foreign exchange effects on total cash flow movement	**(165)**	**316**
Cash and cash equivalents at the beginning of the reporting period	**8,490**	**6,435**
Cash and cash equivalents at the end of the reporting period	**6,192**	**8,545**

Notes to the financial statements are included on pages 17 to 24.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

for the half-year ended 30 June 2016

1. SUMMARY OF ACCOUNTING POLICIES

Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the annual report for the year ended 31 December 2015.

Basis of Preparation

This report has been prepared on the basis of historical cost and, except where stated, does not take into account changing money values or current valuations of non-current assets. Costs are based on the fair values of consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the 30 June 2016 half-year financial report are consistent with those adopted and disclosed in the Company's annual financial report for the financial year ended 31 December 2015.

There are no material changes to the Group's accounting policies.

2. SIGNIFICANT TRANSACTIONS AND MATERIAL ITEMS

Aside from those referred to in the Executive Chairman's report in this report and the relevant comparative period reports, there were no material factors affecting the financial statements of the economic entity for the current and comparative period.

2.1. Call Options for the Issue of the Company's Shares

There are no options on issue as at the reporting date.

2.2. Income Tax Expense/Benefit

Tax losses previously disclosed in the 31 December 2015 Annual Report encompass Magontec Limited and its Australian controlled entities. The tax benefit corresponding to these losses is not recognised as an asset in the accounts. Income taxes incurred in foreign jurisdictions are not sheltered by these Australian tax losses and are governed by relevant tax legislation in the various foreign jurisdictions in which the Group operates.

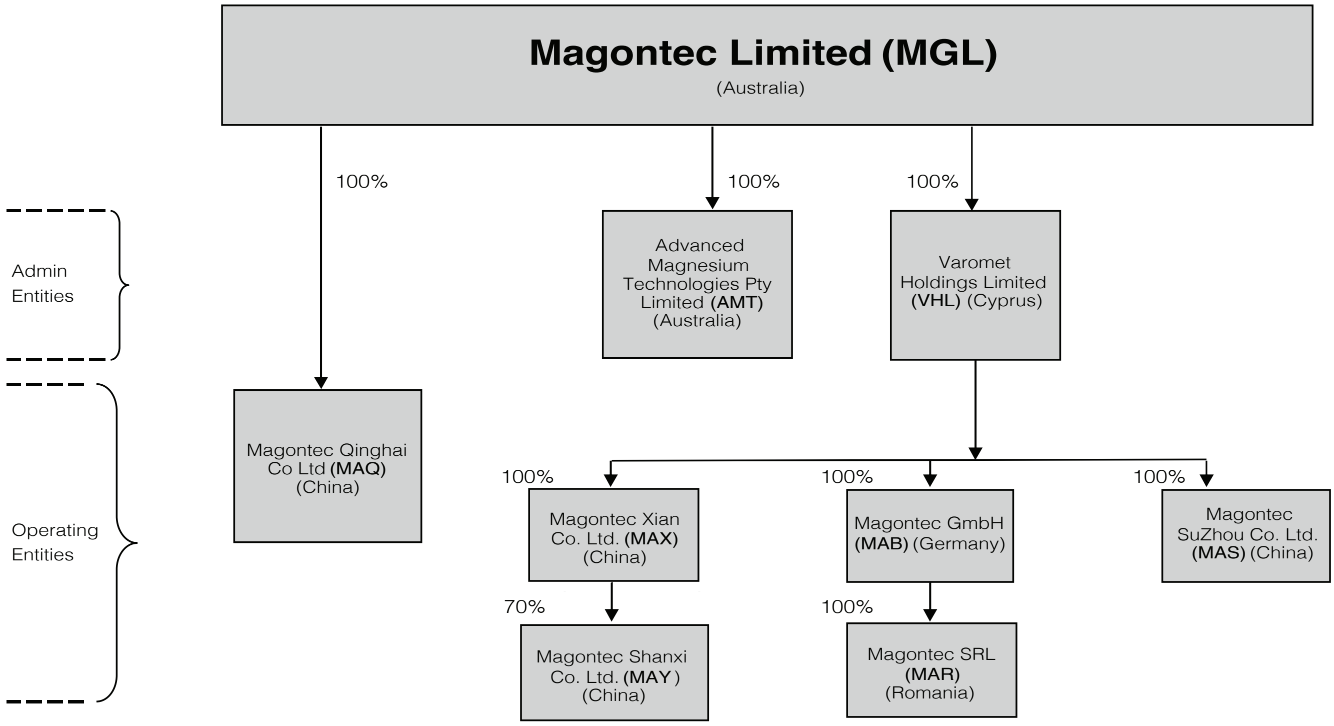
3. DIVIDENDS

No dividend was declared or recommended during the 6 months ended 30 June 2016 (6 months ended 30 June 2015: no dividend declared or recommended). The balance of the franking account at 30 June 2016 was $nil (30 June 2015: $nil).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
continued

4. SEGMENT REPORTING

4.1. Corporate Structure as at 30 June 2016



4.2. Identificaton of Reportable Segments

The consolidated entity comprises the entities as described in Note 4.1.

In respect of the period to 30 June 2016, segment information is presented in respect of the three main departments within the company as described in the Chart at Note 4.1 above:

– 'Admin Units' = Magontec administrative entities performing a Head Office function comprising -
  Magontec Limited (Australia);
  Advanced Magnesium Technologies Pty Limited (Australia); and
  Varomet Holdings Limited (Cyprus).

– 'EUR' = Magontec operating entities in Europe comprising -
  Magontec GmbH (Germany); and
  Magontec SRL (Romania).

– 'PRC' = Magontec operating entities in the People's Republic of China comprising -
  Magontec Shanxi Co. Ltd. (China);
  Magontec Xi'an Co. Ltd. (China);
  Magontec Suzhou Co. Ltd. (China); and
  Magontec Qinghai Co. Ltd. (China).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
continued

4. SEGMENT REPORTING continued

4.3. Segment Information – Comprehensive Income

	6 months to 30 Jun 2016				6 months to 30 Jun 2015			
	$'000 Admin	$'000 EUR	$'000 PRC	$'000 TOTAL	$'000 Admin	$'000 EUR	$'000 PRC	$'000 TOTAL
Sale of goods	–	46,036	25,315	71,351	–	40,937	30,451	71,388
Less Inter-company sales				(4,960)				(3,308)
Net Sales	**–**	**46,036**	**25,315**	**66,392**	**–**	**40,937**	**30,451**	**68,080**
Cost of sales	–	(40,710)	(23,236)	(63,946)	–	(36,856)	(28,635)	(65,491)
Less Inter-company sales				4,960				3,308
Net Cost of Sales	**–**	**(40,710)**	**(23,236)**	**(58,986)**	**–**	**(36,856)**	**(28,635)**	**(62,184)**
Gross Profit	**–**	**5,327**	**2,079**	**7,406**	**–**	**4,081**	**1,816**	**5,897**
Other income	49	108	34	190	162	(8)	57	211
Interest expense	–	(375)	(247)	(622)	–	(339)	(309)	(648)
Impairment of inventory, receivables & other financial assets	–	–	(202)	(202)	–	–	–	–
Travel accommodation and meals	(87)	(202)	(87)	(375)	(114)	(164)	(106)	(384)
Research, development, licensing and patent costs	(55)	(44)	(35)	(134)	(73)	(64)	(62)	(199)
Promotional activity	(1)	(29)	–	(29)	–	(17)	(3)	(20)
Information technology	(20)	(109)	(23)	(151)	(14)	(125)	(27)	(166)
Personnel	(695)	(2,013)	(561)	(3,270)	(688)	(1,852)	(682)	(3,222)
Depreciation & Amortisation	–	(236)	(12)	(248)	–	(212)	(26)	(238)
Office expenses	(32)	(93)	(85)	(210)	(25)	(59)	(48)	(132)
Corporate	(259)	(654)	(587)	(1,500)	(260)	(760)	(423)	(1,443)
Foreign exchange gain/(loss)	(241)	28	(190)	(404)	384	(64)	(191)	128
Other Operating Expenses	–	(19)	–	(19)	–	(30)	–	(30)
Profit/(Loss) before income tax expense	**(1,341)**	**1,688**	**85**	**432**	**(628)**	**386**	**(3)**	**(245)**
Income tax expense	–	(301)	(49)	(351)	–	(183)	–	(183)
Profit/(Loss) after income tax expense/benefit including discontinued operations	**(1,341)**	**1,387**	**36**	**81**	**(628)**	**203**	**(3)**	**(428)**
Other Comprehensive Income								
Movement in various actuarial assessments	–	(558)	–	(558)	–	–	–	7
Exchange differences taken to reserves in equity – translation of overseas entities	(56)	(131)	(632)	(819)	(220)	(79)	683	384
Total Comprehensive Income	**(1,397)**	**698**	**(596)**	**(1,296)**	**(848)**	**124**	**680**	**(37)**

4. SEGMENT REPORTING continued

4.4. Segment Information – Balance Sheet

	30 Jun 2016 $'000 Admin	30 Jun 2016 $'000 EUR	30 Jun 2016 $'000 PRC	30 Jun 2016 $'000 TOTAL	30 Dec 2015 $'000 Admin	30 Dec 2015 $'000 EUR	30 Dec 2015 $'000 PRC	30 Dec 2015 $'000 TOTAL
Segment Assets								
Gross Segment assets	57,474	47,238	37,886	142,598	58,174	42,594	40,216	140,984
Eliminations								
– Inter-Coy Loans	(40,235)	(1,548)	(4,089)	(45,872)	(39,934)	(1,371)	(3,202)	(44,506)
– Investment in subsidiaries	(15,392)	–	–	(15,392)	(15,392)	–	–	(15,392)
– Other	2,108	95	(454)	1,749	1,461	198	(216)	1,442
As per Consolidated Balance Sheet	**3,955**	**45,784**	**33,343**	**83,083**	**4,309**	**41,421**	**36,798**	**82,528**
Segment Liabilities								
Gross Segment liabilities	28,555	42,872	23,827	95,254	27,480	38,990	25,368	91,838
Eliminations								
– Inter-Coy Loans	(28,342)	(8,431)	(9,093)	(45,867)	(27,258)	(7,762)	(9,528)	(44,548)
– Other	–	–	(352)	(352)	–	–	78	78
As per Consolidated Balance Sheet	**212**	**34,441**	**14,382**	**49,035**	**222**	**31,228**	**15,917**	**47,367**
Net assets	**3,743**	**11,343**	**18,961**	**34,048**	**4,087**	**10,193**	**20,881**	**35,161**

5. CONTINGENT ASSETS & LIABILITIES

Contingent asset and liabilities remain unchanged from those disclosed in the Annual Report at 31 December 2015.

6. SHARE CAPITAL

	30 Jun 2016 $'000	31 Dec 2015 $'000
Opening balance of share capital attributable to members of MGL	**58,433**	**58,262**
Issue of shares to Executives of Magontec Limited(1)	183	174
Various costs associated with above issues	–	(4)
Share capital on issued ordinary shares 1,132,209,291 (2015: 1,127,311,901)	**58,616**	**58,433**
Share capital attributable to members of MGL	58,616	58,433
Share capital attributable to minority interest	463	463
Total share capital	**59,079**	**58,896**

(1) Shares issued in terms of entitlement under Resolution 5 of the Company's 2015 AGM held 8 May 2015.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

continued

7. RECONCILIATION OF CASH

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows:

	6 months to 30 Jun 2016 $'000	6 months to 30 Jun 2015 $'000
Cash and cash equivalents at the beginning of the reporting period	**8,490**	**6,435**
Net cash (used)/generated in operating activities	(1,744)	(295)
Net cash provided by/(used in) investing activities	(1,399)	(690)
Net cash provided by/(used in) financing activities	1,010	2,779
Foreign exchange effects on total cash flow movement	(165)	316
Cash and cash equivalents at the end of the reporting period	**6,192**	**8,545**
Cash on hand and at bank	**6,192**	**8,545**

8. EVENTS SUBSEQUENT TO BALANCE DATE

There are no matters subsequent to the end of the financial half year that have, or may, significantly affect the Group's operations, the results of those operations, or the state of the Group's affairs.

9. CALCULATION OF EARNINGS/(LOSS) PER SHARE

		6 months to 30 Jun 2016	6 months to 30 Jun 2015
Earning/(Loss) per share:			
Profit/(Loss) attributable to members of the parent entity	1	$80,773	($427,534)
Average shares on issue for the period	2	1,127,338,810	1,118,862,379
Total vested options (Refer NOTE 2.1)	3	–	–
Basic Earnings/(Loss) per share (cents per share)	1 ÷ 2 × 100	0.007	(0.038)
Diluted Earnings/(Loss) per share (cents per share)	1 ÷ (2 + 3) × 100	0.007	(0.038)

10. OTHER INCOME IN COMPREHENSIVE INCOME STATEMENT

	6 months to 30 Jun 2016 $'000	6 months to 30 Jun 2015 $'000
Interest revenue	21	41
Government Grants	10	–
Receipt/(Repayment) for insurance claims	32	–
Derivative market re-valuation	37	–
Gain on Disposal: Fixed Assets	9	–
Reversal of write-down of current assets	–	–
Write back of provisions and other adjustments	78	–
Other	4	170
	190	**211**

11. TRADE RECEIVABLES AND PAYABLES

11.1. Current Trade and other Receivables

	30 Jun 2016 $'000	31 Dec 2015 $'000
Trade receivables[1]	22,831	19,101
Allowance for doubtful debts	(896)	(705)
	21,935	**18,396**
Net GST/VAT recoverable	2,128	821
Security deposits	26	28
Derivatives fair value adjustment	54	–
Other receivables due to operating entities	1,121	2,866
Other	115	51
	3,444	**3,767**
Total	**25,379**	**22,163**

(1) Trade receivables represent 62.59 days sales at 30 Jun 16 (63.73 days sales at 30 Jun 15).

11.2. Current Trade and Other Payables

	30 Jun 2016 $'000	31 Dec 2015 $'000
Trade creditors[1]	13,151	12,609
Other creditors and accruals	3,368	3,667
Total	**16,520**	**16,276**

(1) Trade creditors represent 40.58 days cost of goods sold (34.66 days cost of goods sold at 30 Jun 15).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
continued

12. RESERVES

	30 Jun 2016 $'000	31 Dec 2015 $'000
Capital reserve		
Balance at beginning of financial year[1]	2,750	2,750
Balance at end of financial year	**2,750**	**2,750**
Foreign currency translation reserve		
Balance at beginning of financial year[2]	4,343	3,734
Movement in VHL Consolidated accounts	(819)	608
Balance at end of financial year	**3,524**	**4,343**
Actuarial Reserves		
Balance at beginning of financial year	(1,785)	(1,917)
Derivatives	–	–
Deferred tax assets	–	(62)
Employee pensions	(560)	187
Other	2	7
Balance at end of financial year	**(2,343)**	**(1,785)**
Expired Options Reserve		
Balance at beginning of financial year	1,637	1,637
Balance at end of financial year	**1,637**	**1,637**
Total reserves	**5,568**	**6,945**
Reserves attributable to minority interests	–	–
Reserves attributable to members of MGL	5,568	6,945
Total reserves	**5,568**	**6,945**

Other Comprehensive Income – that may later emerge in the Profit and Loss Statement		
Exchange differences taken to reserves in equity – translation of overseas entities	(819)	608
Movement in various actuarial assessments	(558)	132
Total Other Comprehensive Income	**(1,296)**	**740**

(1) The **capital reserve** is a historical reserve from 2002 that arose after calculation of the outside equity interest in the (as it then was) Australian Magnesium Investments Pty Ltd consolidated entity.

The **foreign currency translation reserve** is a result of translating overseas subsidiaries from their functional currency to the presentation currency of Australian dollars.

The **expired options reserve** captures the balance of unexercised options on their expiry date from the appropriate share capital account.

The **actuarial reserve** represents the cumulative amount of actuarial gains/(losses) on the Group's unfunded defined benefit pension obligation as well as movements in deferred tax assets and financial instruments that need to be recognised in "Other comprehensive income" (OCI).

(2) The opening balance of the foreign currency translation reserve was increased by $1.3m from the numbers previously reported at 31 December 2015 due to a reclassification from retained earnings. This adjustment related to the period to 31 December 2012 and had no impact on the overall equity balance.

13. BORROWINGS

	30 Jun 2016 $'000	30 Jun 2016 Maturity Date	30 Jun 2016 Interest pa (1)	31 Dec 2015 $'000	31 Dec 2015 Maturity Date	31 Dec 2015 Interest pa (1)
Bank & Institutional Borrowings						
Magontec GmbH (Bank Loan)(2) (5)	8,927	30-Jun-17	2.15%	8,939	30-Jun-17	2.00%
Magontec GmbH (Bank Loan)(2) (5)	1,666	30-Jun-17	2.15%	1,436	30-Jun-17	2.27%
Magontec GmbH (Hire Purchase Facility)(5)	588	31-Dec-18	2.50%	696	31-Dec-18	1.20%
Magontec GmbH (Factoring Facility)(4)	1,628	30-Nov-16	1.34%	863	30-Nov-16	1.30%
Magontec SRL (Working Capital Facility)(3)	2,920	Open	3.15%	1,693	Open	3.15%
Magontec SRL (Bank Loan)(3)	587	28-Apr-17	2.70%	942	28-Apr-17	2.70%
Magontec Xian Limited (Bank Loan)(5)	656	19-Aug-16	5.65%	685	19-Aug-16	5.38%
Magontec Xian Limited (Bank Loan)(5)	619	23-Sep-16	5.60%	646	23-Sep-16	5.33%
Magontec Xian Limited (Bank Loan)(5)	576	14-Oct-16	5.54%	602	14-Oct-16	5.28%
Magontec Xian Limited (Bank Loan)(5)	608	21-Oct-16	5.45%	647	21-Oct-16	5.19%
Magontec Xian Limited (Bank Loan)	4,041	25-Apr-17	4.52%	4,222	28-Apr-16	5.62%
Total Bank Borrowings	**22,817**			**21,370**		
Current Borrowings						
Bank borrowings as above (excluding factoring facility)	21,189	Various	Various	20,272	Various	Various
Other Current Borrowings	–			–		
Bank borrowings as above (excluding factoring facility)	**21,189**			**20,272**		
Non-Current Borrowings						
Bank borrowings as above	–	–	–	235	28-Apr-17	2.70%
Total Non-Current borrowings	**–**			**235**		

(1) Interest rate is the rate that applied at the end of the relevant reporting period and is expressed as compounding annually in arrears.
(2) These borrowings are secured by a charge over MAB's trade debtors to the extent of €3,953,000 ($5,882,000) and inventory of €3,905,000 ($5,810,000).
(3) These borrowings are secured by a charge over MAR's trade debtors and inventory to the extent of RON 14,395,000 ($4,735,000) and buildings of EUR 1,129,000 ($1,680,000).
(4) This facility is set off against trade debtors, and thus is not shown in 'Borrowings' on the balance sheet.
(5) As at 30 June 2016, the company was in breach of its debt covenant ratio requirements with Commerzbank.
As such, all amounts owing to Commerzbank are deemed repayable on demand and classified as current liabilities in accordance with IFRS.
Notwithstanding this breach, Management remains confident of the ongoing support of Commerzbank for the following reasons:
– such a breach, although a documentary breach, would not cause the Company to be viewed as an unacceptable credit risk;
– the Company will enjoy the continued support of its lenders as evidenced by such support in historical circumstances where the same breach has occurred;
– the Company has a sound working relationship with the Bank; and
– apart from the covenant breach in question, the Company conducts its facilities according to arrangements.