Appendix 4D

Magontec Limited
ASX Half-Year Report - 30 Jun 2015

Magontec Limited ("MGL") ABN 51 010 441 666

This Half Year Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.

This information should be read in conjunction with the Annual Report of Magontec Limited for the twelve months ended 31 December 2014.

1 Details of the reporting period and the previous corresponding period.

The entity's annual reporting period ends 31 December (calendar year). The entity will present the following financial statements (condensed or complete) in its half-year interim financial report as of 30 June 2015:

Statement of Financial Position:	**This Report**	**Comparative Position**
At	30-Jun-15	31-Dec-14
Statement of Comprehensive Income:		
6 months ended	30-Jun-15	30-Jun-14
Statement of Cash Flows:		
6 months ended	30-Jun-15	30-Jun-14
Statement of Changes in Equity:		
6 months ended	30-Jun-15	30-Jun-14

2 Results for Announcement to the Market

			Percentage Change (against previous corresponding period)	**Amount $**
2.1	Revenue from ordinary activities.	Up	1.78%	68,080,293
2.2	Profit (loss) from ordinary activities after tax attributable to members[1].	Down	(64.74%)	(427,534)
2.3	Net profit (loss) for the period attributable to members[1].	Down	(64.74%)	(427,534)

1. Including discontinued operations

2.4 The amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends.

	Amount per share	**Franked Amount per share**
Interim dividend - per share	0.0¢	0.0¢
Previous corresponding half yearly report	0.0¢	0.0¢

2.5 The record date for determining entitlements to the dividends (if any). Not applicable

2.6 A brief explanation of any of the figures in 2.1 to 2.5 necessary to enable the figures to be understood.

3 Net tangible assets per security with the comparative figure for the previous corresponding period.

		30 Jun 2015	31 Dec 2014
Gross Assets		$82,529,531	$86,468,687
Less Gross Liabilities		($48,189,365)	($52,263,825)
Net Assets as per balance sheet		$34,340,166	$34,204,863
Less Intangible assets		($3,067,917)	($3,056,796)
Net Tangible Assets	i	$31,272,249	$31,148,067
Number of ordinary shares on issue at reporting date	ii	1,127,311,901	1,115,725,813
Number of ordinary shares on issue at reporting date		1,127,311,901	1,115,725,813
Plus vested options on issue at reporting date		-	-
Number of securities on issue at reporting date	iii	1,127,311,901	1,115,725,813
Net tangible assets per share based on ii (expressed in cents)	i ÷ ii × 100	2.77 cents	2.79 cents
Net tangible assets per share based on iii (expressed in cents)	i ÷ iii × 100	2.77 cents	2.79 cents

4 Details of entities over which control has been gained or lost during the period

4.1 Name of the entity. — Not applicable

4.2 The date of the gain or loss of control. — Not applicable

4.3 The contribution to profit from ordinary activities during the period — Not applicable
The contribution to profit from ordinary activities during the whole of the previous corresponding period. — Not applicable

5 Details of individual and total dividends or distributions and dividend or distribution payments. — No dividend distribution

6 Details of any dividend or distribution reinvestment plans. — Not applicable

7 Details of associates and joint venture entities.
Refer NOTE 4.1 under the heading 'CORPORATE STRUCTURE AS AT 30 June 2015' on page 23 of this report.

Joint Venture	Magontec Ltd Ownership Interest (1)	Joint Venture Partner
Magontec Shanxi Co. Ltd.	70.00%	ShanXi DongFang Resources Development Co.,Ltd

Note (1) The joint venture arrangements provide that Magontec Limited has a 100% interest in the Profit & Loss performance of the joint venture.

8 For foreign entities, which set of accounting standards is used in compiling the report. — Not applicable

9 Modified opinion, emphasis of matter or other matter paragraph in independent audit report or review. — None

10 The tables in the following 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 balances of items from the comparative financial accounts.

Such differences arise from the process of -

- converting foreign currency amounts to two decimal places in AUD;
- subsequent rounding of the AUD amounts to $1,000; and
- the process of summing amounts rounded up or down to the nearest $1,000.

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 2015 were authorised for issue in accordance with a resolution of the directors on 31 August 2015. Magontec Limited is a company limited by shares incorporated in Australia. The shares are publicly traded on the Australian Stock Exchange under the code "MGL".

2. GLOSSARY OF TERMS REFERRED TO IN THIS REPORT

	Description	Referred to As
Magontec Limited	The ultimate parent/holding company of the Group, formerly known as Advanced Magnesium Limited	**Parent Company, 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 Xi'an Co Ltd.	The wholly owned entity that owns the Group's operations in Xi'an, PRC	**MAX**
Magontec GmbH	The wholly owned entity that owns the Group's operations in Bottrop, Germany	**MAB**
Magontec Suzhou Co Ltd	The wholly owned entity that owns the Group's operations in Suzhou, PRC	**MAS**
Magontec Shanxi Company Limited	The joint venture operations in Jishan, Shanxi province PRC	**MAY**
Magontec SRL	The wholly owned entity that owns the Group's operations in Santana, Romania	**MAR**
Magontec Qinghai Co. Ltd.	The wholly owned entity that owns the Group's operations in Qinghai, PRC	**MAQ**
Major 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 29.32% 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**

2. 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.

CONDENSED FINANCIAL REPORT
for the Half-Year Ended 30 June 2015

DIRECTORS' REPORT

The Directors of Magontec Limited ('the Company' or 'MGL') submit herewith the financial report for the half-year ended 30 June 2015. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

The names of the Directors of the Company during or since the end of the half-year are:

Mr Nicholas Andrews (Executive Chairman)	
Mr Kang Min Xie (Non-Executive Director)	Re-appointed 8 May 2015
Mr Yong Li (Alternate Director to Mr Kang Min Xie)	Appointed 29 May 2014
Mr Zhong Jun Li (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 29 May 2014

Review of Operations

For the six months ended 30 June 2015 the consolidated (loss) after tax from continuing operations was -	($427,534)
For the six months ended 30 June 2014 the consolidated (loss) after tax from continuing operations was -	($1,213,748)

Corporate

The 32nd annual general meeting of the Company was held on 8 May 2015.

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)

Mr Andre Labuschagne was appointed to the Finance, Audit & Compliance Committee, replacing Mr Robert Kaye on 3 August 2015.

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 13.

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

Nicholas Andrews
Executive Chairman
31 August 2015

Interim Report Commentary
Operating and Financial Review for the six months to 30 June 2015

About Magontec

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

- Magontec buys pure magnesium and converts it into magnesium alloy ingots for sale into global markets
- Magontec recovers scrap magnesium from its customers and recycles this material into magnesium alloy ingots for re-sale
- Magontec converts magnesium alloys into anodes that provide cathodic corrosion protection for water heater applications

Magontec is the only western magnesium alloy producer with

- Its own Chinese primary magnesium alloy manufacturing base
- Its own magnesium recycling facilities in Europe and Asia
- A global sales and logistics capability
- A comprehensive portfolio of proprietary magnesium alloys
- An active commitment to Research & Development

Magontec is a pioneer in the field of magnesium alloys and anode products with vast experience in production and development of new alloy and anode applications. We have a reputation for delivering results for our customers.

Magontec is building an operating base for the future with investment in new plant and equipment in China and Europe.

Over the next 6 months Magontec will continue to install casting lines and equipment in the Magontec Qinghai cast house in preparation for first commcercail supply from Qinghai Salt Lake Magnesium Co Ltd. The ramp up phase is likely to continue through 2016 and 2017 before full production is achieved.

SIX MONTHS TO 30 JUNE 2015 HIGHLIGHTS

- Gross Profit up 37% over the previous corresponding period
- Strong volume growth
- Cash generation of $1.2 million
- First equipment installed at Qinghai
- Chinese business returns to EBIT profit
- Strong profit improvement in EU recycling
- Anode business recovering volumes and profitability
- Accident free period across all plants in the first six months of 2015

Magontec Qinghai project

- Construction of World's largest magnesium project nearing completion
- Cast house equipment installation program to continue through 2015
- Commercial production now targeted for first half 2016
- Project expected to deliver a competitive pricing advantage

Asian operations

- Strong improvement in profitability in magnesium alloys reflecting higher volumes and lower conversion costs
- Anodes business winning new volumes through cost reduction with further initiatives in train

Europe and North American operations

- European magnesium alloy recycling volumes continuing to grow as full impact of 2014 and 2015 capex programs take effect
- Anode markets remain highly competitive in Europe and North America

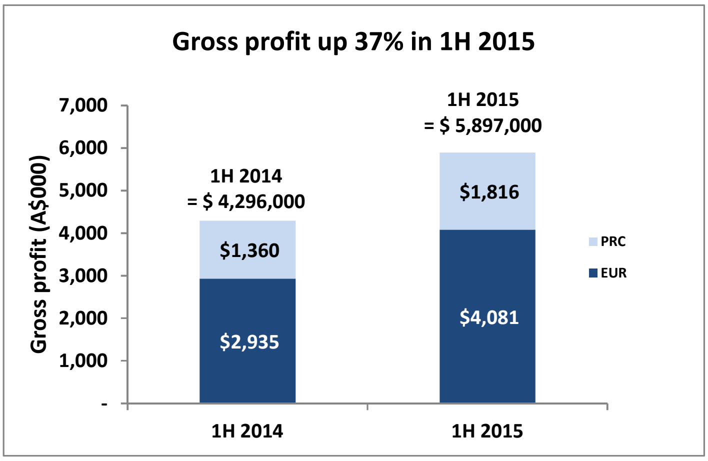
Financial

- Magontec generated positive cash of $1.2 million from its underlying operating businesses in the first six months of 2015
- Net Debt to Equity stable at 39.7%

Summary

As at the end of the first six months of 2015 Magontec finds itself in a considerably stronger and more profitable position than in the prior corresponding period. Revenue grew 2% in a period of modestly declining raw material costs while Gross Profit rose 37% over the prior corresponding period.

The strong improvement in Gross Profit reflects initiatives undertaken over the last 2 years to improve operating performance and in particular to prepare the magnesium alloy business for the commencement of production at the new Qinghai plant in the PRC, which is currently under construction.

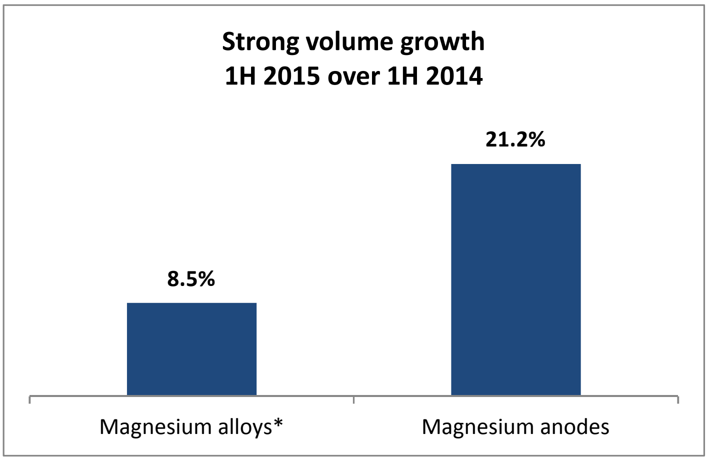


The company has successfully reduced production costs in both its magnesium alloy and magnesium anode operations.

The full impact of the changes to the magnesium alloy operations will become more pronounced as the flow of primary magnesium alloy material from Magontec's new China project commences in 2016.

The improvement in Gross Profit has not translated into a significantly improved Net Profit. In the period to 30 June Magontec has absorbed non-cash costs to the Profit and Loss account including those associated with the issue of new shares pursuant to the Executive Securities Issue Plan of $174,000 as approved at the Company's AGM in May 2015.

The first half also saw a number of timing differences that negatively impacted the interim accounts that are likely to unwind in the second half.



Profit improvement has been generated by both volume increases and margin improvement. In the first six months of 2015 the European and Asian operating divisions of Magontec have experienced strong volume improvements winning new market share on a lower cost base.

The exception to this has been recycling in China where an enforced six-month factory closure at the Suzhou recycling facility resulted in a 63% decline in volumes in the first half of 2015 compared with the same period last year. Excluding Chinese recycling, overall magnesium alloy volumes rose 8.5%*.

The underlying profitability of the business is considerably improved and, in the absence of unforeseeable events, this is likely to continue through the second half of 2015.

Qinghai Magnesium Alloy Cast House Project

Longer standing shareholders will know that Magontec is currently constructing a magnesium alloy cast house at Golmud in Qinghai Province PRC. The cast house is located on the site of a new magnesium electrolytic smelter under construction by the Qinghai Salt Lake Magnesium Co Ltd (QSLM), a 29.32% shareholder in Magontec Limited.

On completion this new electrolytic plant will have pure magnesium production capacity of 100,000 metric tonnes per annum. Under agreements between Magontec and QSLM, 56% of pure magnesium production will be directed to the Magontec cast house for conversion into magnesium alloys.

As at the end of June 2015 QSLM has completed the majority of construction work on the electrolytic magnesium plant and Magontec has completed the first stage of its magnesium alloy cast house installation program. Through the period to the end of 2015 we anticipate the completion of the construction program for the electrolytic smelter followed by the commencement of commissioning.

It is important for shareholders to understand that the construction and management of the electrolytic plant is entirely under the control and authority of QSLM. Magontec is the owner and operator of equipment in the magnesium alloy cast house, which is the last manufacturing process in the chain. The production of magnesium alloy from Magontec's new facility is thus reliant on completion of the main magnesium facility and the commencement of production of pure magnesium by QSLM.

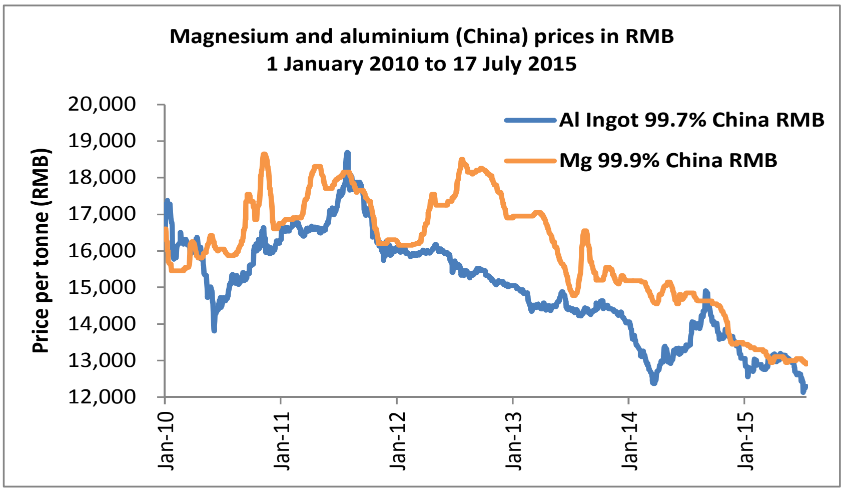
Operations - Asia

In Asia, Magontec operates three factories that produce primary magnesium alloy and recycles magnesium scrap. The largest of these factories is a leased facility at Jishan in Shanxi Province. Over the three years since Magontec took control of this facility we have engaged in a program of equipment upgrades to lower the cost of converting pure magnesium into magnesium alloy.

The efficiency program at Jishan has progressed very well and in 2015 conversion costs have fallen sufficiently to allow this business to compete more aggressively in the North American, local Chinese and other Asian markets. Unfortunately the price of generic magnesium alloy material landed in Europe continues to trend below levels at which Magontec can be competitive.

Over the last three years Magontec has operated its Jishan plant using material supplied under contract by the owner of the facility who also owns and operates an adjacent pure magnesium Pidgeon plant. From October the nature of that contract will change and Magontec will be free to source pure magnesium supply from the open market. We estimate that this may have a negligible effect on our costs of production and will allow us to improve flexibility and inventory management.

The overall market for magnesium alloys continues to grow with the exception of the electronics markets where aluminium has dramatically grown its share at the expense of magnesium. The price of magnesium has continued to drift and now sits close to decade long lows. Like many metal markets magnesium has been in chronic oversupply and the reduction in prices has caused considerable financial distress among marginal producers.



For Magontec, as a buyer of pure magnesium raw material, the price decline is a largely neutral event. For competitors who are vertically integrated pure and alloy magnesium manufacturers, the price decline presents some new challenges. Our expectation is that prices will rise again as the smaller and less efficient producers exit the market and that the industry will consolidate around some of the larger manufacturers. Despite the reduction in Magontec primary magnesium alloy exports to Europe, the company remains the third largest magnesium alloy exporter from China with a larger export market share in 2015 than in 2014.

Two other critical factors for magnesium pricing are the price of aluminium (the key competitor metal) and the flow of bonuses from regional authorities to competing magnesium metal manufacturers. The aluminium price has also experienced a precipitous decline in recent months and it is unlikely that manufacturers will switch to magnesium on the basis of price in the short term. The flow of bonuses on the other hand, appears likely to abate as the Chinese economy experiences growing financial head winds.

One bright light on the horizon for magnesium metal is the development of new magnesium alloys that have superior thermal conductivity characteristics. To date applications in the telecoms industry have been almost entirely die cast from aluminium alloys. The introduction by Magontec of a new suite of lighter weight high thermal conductivity magnesium alloys is seeking to challenge this dominance and may also have implications for smaller hand held electronic devices where superior thermal conductivity improves battery life.

As shareholders will recall, in 2014 Magontec was required to close its Suzhou magnesium alloy recycling plant following an accident in a neighbouring aluminium factory. In January 2015 our Suzhou plant reopened but has only been able to operate on one line and at half its rated capacity. This is unlikely to change in the second half of 2015. The forced closure of the plant caused Magontec to lose a major contract adding to existing strains on the recycling industry caused by a shift from magnesium to aluminium among electronics goods die casters, the principal Chinese generators of magnesium scrap.

Magontec's downstream business, the production of magnesium anodes for the water heater industry, has enjoyed a much stronger first half in 2015 in China. We have regained lost contracts and won new business following an aggressive strategy of reducing production costs at our Xi'an factory.

Volumes in the first half are up over 25% on the previous corresponding period in this highly volume sensitive industry. Through the first half we have trialled new processing equipment to increase automation and in the second half we will continue to add new machines and processes to further increase competitiveness.

Operations – Europe and North America

In Europe, Magontec recycles magnesium alloy scrap sourced from magnesium alloy die cast product manufacturers across the continent. We operate two facilities at Bottrop in Germany and at Santana in Romania.

The European magnesium alloy recycling industry remains highly competitive and, in addition to one large competitor, there are many smaller operations located in Eastern Europe and Southern Germany. To entrench Magontec's position as a profitable major player in this market Magontec has sought to offer more competitive pricing and the ability to process higher volumes.

Over the last 12 months we have invested heavily in new equipment and new processes to reduce conversion costs and improve competitiveness. In Germany we have increased capacity by around 20% and in Romania, where we have added a new line, by 120%.

The new capacity in Romania came on stream in the second quarter this year and there were some dislocation costs associated with its installation and commissioning that affected both the German and Romanian production schedules. In the second half of 2015 we anticipate a smoother operating environment for both facilities.

Volumes in European recycling were up over 25% on the previous corresponding period and will increase further in the current period as the Romanian plant operates on its increased capacity for the full 6 months. Profitability is also strongly improved on the previous corresponding period following investment in both recycling plants.

Magontec's European magnesium anode business has enjoyed a relatively strong first half reflecting an improvement in volumes as well as a modestly better pricing environment in the first quarter. Our European business is now considerably better placed to compete in this market following its relocation from Germany to Romania.

We have continued to improve and streamline processes in the last six months and have been able to improve the logistical and operating synergies between the magnesium alloy scrap recycling business and the magnesium anode manufacturing operation to further reduce production costs.

In addition to our focus on production efficiencies we have also restructured the sales and marketing efforts of our German-based team, adding new sales resources and targeting new market segments. The effects of these changes are expected to flow through over the next 12 months and further increase production in a business that is highly sensitive to volume throughput.

Magontec's electronic anode business has enjoyed a strong improvement in sales in the first half although the product mix has been skewed to lower value items reducing the transmission to revenues and profits. As a part of the broader strategy for magnesium and electronic anodes we have developed a number of new products for the solar water heater market. These products were launched in July and will begin to take effect through the second half of 2015.

Operations - Research & Development

Magontec has continued to pursue research projects with two major manufacturers on the development of new application areas for magnesium alloys. One project is in the automotive industry and the other is non automotive. Both projects aim to open up an entire new class of applications. In each case the projects have funded the production of experimental die cast alloys at the CSIRO in Melbourne, with subsequent testing by the manufacturers themselves and elsewhere. The work has been financially supported in part by these companies, in part by Magontec and in part by a grant provided by the Australian Research Council.

Successful outcomes from these projects will see new components in new application areas in the period 2017-2019. Serendipitous findings from this work have led to additional component developments currently on track for series production in 2016.

The alloys being developed fall within a family of magnesium alloys covered by Magontec's existing patents. Consequently Magontec is well placed to benefit from these developments.

In addition to research on magnesium alloys, Magontec has an established in-house research centre for cathodic corrosion protection (anode) applications. This unit provides analysis for customers developing new water heater products, originates new materials and new processes and seeks to maintain the high quality standards required for water heater products, particularly within the EU.

In the last 12 months this team, based in Bottrop, Germany, has begun research and development work on new applications for the heat exchanger industry and solar hot water system controller devices. Both areas that will expand Magontec activities away from the conventional water heater industry.

Cathodic corrosion protection is an area in which Magontec has made a considerable R&D investment over many years and now seeks to leverage this intellectual asset to develop new businesses and applications.

Financial position

The Group's debt position remained stable, with its net debt to equity ratio of 39.7% at 30 June 2015 up from 37.6% as at 31 December 2014. The Group once again generated positive cash flow from underlying operations of $1.2 million during the half which was slightly below the prior corresponding period after accounting profit from the operating units that was below the prior corresponding period.

The headline net loss after tax for the 6 months to 30 June 2015 of $427,534 was also much improved over the prior corresponding period result, albeit driven mostly by favourable exchange rates. After adjusting for the impact of unrealised foreign exchange gains and losses, the operating units experienced a decrease in Adjusted NPAT for the 6 months to 30 June 2015 despite a 37% increase in gross profit and volume growth. As noted above, the current six month period saw a number of timing differences which we expect will unwind during the second half of the year as well as a $174,000 non cash equity expense with respect to stock issues to executives pursuant to the ESIP.

Summary of Segment Comprehensive Income in NOTE 4.3 (page 24)

AUD	Consolidated Group		Operating Units		Admin Units	
	6 months to 30 Jun 15	6 months to 30 Jun 14	6 months to 30 Jun 15	6 months to 30 Jun 14	6 months to 30 Jun 15	6 months to 30 Jun 14
NPAT from continuing operations	($427,534)	($1,213,748)	$200,530	$761,844	($628,065)	($1,975,592)
Unrealised forex (losses)/gains	$138,142	($698,246)	($245,120)	($82,427)	$383,262	($615,819)
Adjusted NPAT excluding unrealised forex impact	**($565,676)**	**($515,502)**	**$445,651**	**$844,271**	**($1,011,327)**	**($1,359,774)**

Working Capital

The Magontec Group is a high working capital business. In particular, our primary alloy manufacturing business requires the Group to first acquire large quantities of pure Magnesium to convert into alloys before shipment to customers. As such, working capital management is a critical aspect of our business commanding significant management attention. The working capital numbers below relate only to the operating units (i.e. exclude admin units) unless stated.

The balance of working capital at 30 June 2015 was $33.6 million, a slight increase on the position at 31 December 2014 (excluding the impact of foreign exchange effects). The table below shows inventory and creditors decreased significantly during the period, principally the result of the purchase of a large quantity of raw material just before 31 December 2014 due to concerns surrounding a weakening Euro. In the 6 months to 30 June this inventory was consumed, and creditors fell correspondingly. During the period, the PRC unit also experienced strong sales volumes in the months leading into 30 June 2015 reducing Chinese inventory as well. However, because creditors fell slightly faster in both regions, this led to an overall working capital increase. Debtors, provisions and other working capital balances remained broadly stable.

For the avoidance of doubt, the working capital numbers in the table below in the comparative period at 31 December 2014 have been converted at the same exchange rate prevailing on 30 June 2015 to present the working capital movements without the distortion from foreign exchange rate effects. In addition, the working capital numbers only include those of the operating units (PRC and EUR) and exclude the administration units.

Group Working Capital Demand in Operating Units (excludes administration units)				
AUD	**Total Demand 31 Dec 14****	**Total Demand 30 Jun 15**	**Movement**	**Effect on Working Capital Demand**
Inventory	31,688,549	24,997,524	(6,691,025)	Decrease in working capital
Trade and Sundry Debtors	23,590,213	23,969,973	379,760	Increase in working capital
Creditors & Accruals	(23,063,058)	(15,798,372)	7,264,686	Increase in working capital
Provisions	(272,900)	(594,905)	(322,005)	Decrease in working capital
Other	1,029,989	1,035,176	5,187	Increase in working capital
Net working capital demand	**32,972,792**	**33,609,396**	**636,604**	Increase in working capital
Funded By -				
Bank loans	19,291,000	22,190,000		
Shareholder funds	13,681,792	11,419,396		** Translated at 30 June 2015 rate to exclude forex impact
	32,972,792	**33,609,396**		

Observations on reconciliation

i As shown in the Consolidated Cashflow Statement on page 20, the cash outflow in respect of the working capital demand for the period to 30 June 2015 was $0.82m. This differs by $0.19m compared with the cash outflow of $0.64m implied by the movement in the working capital demand for the 6 months to 30 June 2015 in the table above. That difference is the movement in the working capital position of the administrative entities

ii The table shows an increase of $636,604 in the working capital demand at the operating units (PRC and Europe) during the 6 months to 30 June 2015. However, the consolidated balance sheet shows an increase of $434,851 in the working capital demand for the Group in the same period (being Current Assets excluding cash less Current Liabilities excluding any borrowings), as this includes the admin units, foreign exchange effects and non cash items.

Business Strategies

Magnesium Alloys

Magontec's key strategic imperative has been the development of a cost competitive magnesium alloy production platform in China. In 2013 the group signed a cooperation agreement with the Qinghai Salt Lake Magnesium Co Ltd (QSLM) and in 2014 the two parties signed agreements confirming their intention to work cooperatively to exploit production of pure magnesium from the first stage of the massive Qinghai magnesium project.

Under the agreements signed between the two companies QSLM became a 30% shareholder in Magontec and Magontec has committed to installing and operating a 56,000 metric tonne capacity magnesium alloy cast house on a site adjacent to QSLM's 100,000 metric tonne electrolytic smelter complex, currently under construction.

In future years QSLM expects to build additional electrolytic magnesium smelter capacity. On completion of Stage 1 (100,000 metric tonnes per annum) QSLM are committed to reviewing Stage 2 (an additional 50,000 metric tonnes per annum) and expect at a future date to grow annual production to a total of 450,000 metric tonnes per annum. As QSLM's in situ magnesium alloy producer and financial partner Magontec will seek to continue to grow alongside the development of this project.

As we have discussed in previous commentaries, the Qinghai project will be the largest magnesium production site in the World and will produce pure magnesium that has a lower CO2 emission per tonne of product manufactured than any other magnesium plant in the World and lower than the average for all aluminium plants. In every respect Qinghai metal will be the most competitive magnesium metal on offer in global markets.

Through 2014 and 2015 Magontec executives have visited major customers in the automotive, power tool and telecommunications industries. As a result of those meetings we are confident that product from Qinghai will not just be well received but is enthusiastically anticipated. Material provenance is a growing feature of supply chain management as manufacturing corporations, particularly in industries such as the automotive industry, seek to realise the lowest environmental impact for their products.

The Qinghai agreements outline the terms under which Magontec cooperates with QSLM and the price at which Magontec will receive its pure magnesium raw material. The pricing structure reflects global market pricing for pure magnesium and will largely insulate Magontec from future raw material price volatility. The agreements also provide Magontec with exclusive access to this raw material resource.

With a dedicated supply of pure magnesium and the ability to deliver magnesium alloys to global markets at a competitive cost Magontec will seek to expand both its sales of primary magnesium alloy and its downstream magnesium alloy recycling activities. This resource will also feed in to Magontec magnesium anode manufacturing activities.

In addition to developing a platform for the production and recycling of generic magnesium alloys Magontec has also focussed on the development of new magnesium alloys that offer alternative characteristics. The most common of these are rare earth containing alloys which offer enhanced performance at high temperatures and are used by the automotive industry in applications such as gear box cases. As we have discussed in this commentary there are other applications for rare earth alloys in other industries that are seeking additional thermal conductivity and strength properties.

Anodes

Magontec manufactures two types of anodes that offer cathodic corrosion protection (CCP), principally for the water heater industry. Magnesium anodes are the most common form of CCP product and Magontec is one of the World's largest manufacturers with factories in Xi'an, China and Santana, Romania. Electronic anodes, the second anode product, relies on a direct power source rather than a galvanic current. These latter products are also considerably more complex and incorporate proprietary technology.

As a manufacturer and recycler of magnesium alloys for other applications Magontec's magnesium anode manufacturing operations enjoy considerable synergies in sourcing and manufacturing technologies. In the past these have not been fully exploited and now form part of the strategic process currently underway to reduce production costs at both locations.

In addition to leveraging inherent production advantages we are also seeking to move the production process away from its traditional reliance on manual labour and introduce automation where possible. By doing this we seek to raise the capital barriers to entry and better protect Magontec's business from low cost entrants.

In tandem with this production strategy we have also embarked on a marketing strategy to broaden the applications and the market segments into which our products are sold. We have begun this marketing strategy in Europe taking on new staff to address wholesale channels as well as developing new products for applications outside of the water heater industry.

Prospects for future years

As we have described in this commentary our focus for the last three years has been on improving the efficiency of our existing recycling and anode manufacturing assets to enable them to be competitive and profitable as stand-alone entities. We have made good progress in this endeavour and the recycling assets in Europe in particular are considerably strengthened. Over the coming months we expect to see a continuation of high volumes of recycled material in Europe and to improve further on the margins that we have achieved in the last 6 months.

The outlook for Chinese magnesium alloy sales and profitability is more muted, however we aim to maintain Chinese production on similar margins to those achieved in the first half of 2015 until the commencement of production in Qinghai.

The outlook for the magnesium anode businesses is much improved by comparison with 2014 and there are incremental improvements that can be achieved in the coming months. Further cost improvements and new sales channels are likely to see volume improvements in both Asia and Europe. The achievement of higher volumes in the coming months is a critical hurdle for both Asia and Europe to achieve improved profitability.

Our major near-term investment is in China at Golmud and we expect the entry of magnesium alloys from this factory into global markets to transform the existing Magontec business and generate significant profits for shareholders. As we have discussed in this report Magontec is well advanced in its financial and operational planning for the commencement of production at Qinghai and now awaits completion of the Qinghai smelter and the delivery of material to our magnesium alloy cast house.

As we move through the construction and operating phase of the Qinghai cast house over the coming 12 months we will increasingly look to opportunities that the availability of Qinghai metal will offer and opportunities in the wider cathodic corrosion protection industry that management time and financial constraints have precluded to date.

The combination of access to competitive low CO2 impact magnesium alloy, the development and commercialisation of new variants of our successful AE (rare earth) family of alloys and the exploitation of new markets for cathodic corrosion protection applications will propel Magontec into a profitable company capable of future growth and strong returns for shareholders.

Over the last five years we have built a new and increasingly profitable company that will prosper in the coming years from the investment made by shareholders in 2013 and 2014 and by the hard work of its many talented operational staff. Magnesium alloy manufacturing and anode production are niche industries and Magontec employees are World leaders in these industries. With the strong endorsement and support of the Board, much has been achieved in the period under review and the prospects for future are very encouraging.

Nic Andrews
Executive Chairman
31 August 2015

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,

We hereby declare, that to the best of our knowledge and belief, during the half-year ended 30 June 2015 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.

Name of Firm: Camphin Boston
Chartered Accountants

Name of Partner: **Justin Woods**
Address: Sydney

Dated this: 31st day of August 2015

CAMPHIN BOSTON
CHARTERED ACCOUNTANTS

Review Report to the Members of
MAGONTEC Limited

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 2015, 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 relevant to the preparation and fair presentation of the half-year financial report that 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 2015 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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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 2015 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 2015

DIRECTORS' DECLARATION

The Directors declare that:

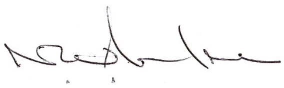
a) in the Director's opinion, there are reasonable grounds to believe that there is no intention or necessity to close the current operations or cease trading within twelve months from the date of this report;

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 2015

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT
for the Half-Year Ended 30 June 2015

	NOTE	6 months to 30 Jun 2015 $'000	6 months to 30 Jun 2014 $'000
Sale of goods	4.3	68,080	66,890
Cost of sales	4.3	(62,184)	(62,594)
Gross profit		**5,897**	**4,296**
Other income	10	211	1,117
Interest expense		(648)	(606)
Impairment of inventory, receivables & other financial assets		-	(221)
Travel accommodation and meals		(384)	(349)
Research, development, licensing and patent costs		(199)	(158)
Promotional activity		(20)	(37)
Information technology		(166)	(241)
Personnel		(3,222)	(2,707)
Depreciation & Amortisation		(238)	(234)
Office expenses		(132)	(218)
Corporate		(1,443)	(1,538)
Foreign exchange gain/(loss)		128	(606)
Adjustment for income of prior years		(30)	-
Profit/(Loss) before income tax expense/benefit from continuing operations		**(245)**	**(1,501)**
Income tax (expense)/benefit		(183)	287
Profit/(Loss) after income tax expense/benefit from continuing operations		**(428)**	**(1,214)**
Loss after income tax expense from discontinued operations		-	-
Profit/(Loss) after income tax expense/benefit including discontinued operations		**(428)**	**(1,214)**
Other Comprehensive Income - that may later emerge in the Profit and Loss Statement			
Exchange differences taken to reserves in equity – translation of overseas entities		384	(951)
Other Comprehensive Income - that will not emerge in the Profit and Loss Statement			
Movement in various actuarial assessments		0	308
Total Comprehensive Income		**(44)**	**(1,857)**

	NOTE	6 months to 30 Jun 2015	6 months to 30 Jun 2014
Earnings/(Loss) per share from continued and discontinued operations			
Basic (cents per share)	9	(0.038) cents	(0.109) cents
Diluted (cents per share)	9	(0.038) cents	(0.109) cents
Earnings/(Loss) per share from continuing operations			
Basic (cents per share)		(0.038) cents	(0.109) cents
Diluted (cents per share)		(0.038) cents	(0.109) cents

Notes to the financial statements are included on pages 22 to 30.

CONSOLIDATED BALANCE SHEET
as at 30 June 2015

	NOTE	30-Jun 2015 $'000	31-Dec 2014 $'000
Current assets			
Cash and cash equivalents	**7**	8,545	6,435
Trade & other receivables	**11.1**	24,676	25,242
Inventory		24,974	31,272
Other		721	393
Total current assets		**58,915**	**63,342**
Non-current assets			
Other receivables		1,048	1,046
Property, plant & equipment		17,877	17,240
Future income tax benefit		1,622	1,783
Intangibles		3,068	3,057
Total non-current assets		**23,614**	**23,126**
TOTAL ASSETS		**82,530**	**86,469**
Current liabilities			
Trade & other payables	**11.2**	15,421	22,525
Bank Borrowings	**13**	21,656	18,663
Provisions		621	489
Total current liabilities		**37,699**	**41,678**
Non-current liabilities			
Bank Borrowings	**13**	534	628
Provisions		9,957	9,958
Total non-current liabilities		**10,490**	**10,586**
TOTAL LIABILITIES		**48,189**	**52,264**
NET ASSETS		**34,340**	**34,205**
Equity attributable to members of MGL			
Share capital	**6**	58,435	58,262
Reserves	**12**	5,268	4,878
Accumulated (losses)/profits		(29,825)	(29,398)
Equity attributable to minority interests			
Share capital	**6**	463	463
Reserves	**12**	-	-
Accumulated (losses)/profits		-	-
Total equity		**34,340**	**34,205**

Notes to the financial statements are included on pages 22 to 30.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the Half-Year Ended 30 June 2015

	Share Capital		Retained	FCTR(1)	Capital	Actuarial	Expired	Minority	Total
	Ordinary	Options Valuation	Earnings		Reserve	Reserve	Options Reserve	Interests	Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance 1-Jan-15	**58,262**	**-**	**(29,398)**	**2,408**	**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-15	**58,435**	**-**	**(29,825)**	**2,791**	**2,750**	**(1,910)**	**1,637**	**463**	**34,340**

for the Half-Year Ended 30 June 2014

	Share Capital		Retained	FCTR(1)	Capital	Actuarial	Expired	Minority	Total
	Ordinary	Options Valuation	Earnings		Reserve	Reserve	Options Reserve	Interests	Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance 1-Jan-14	**55,145**	**-**	**(27,732)**	**1,979**	**2,750**	**(1,007)**	**1,637**	**462**	**33,232**
Profit/(Loss) attributable to members of parent entity	-	-	(1,214)	-	-	-	-	-	(1,214)
Other	-	-	(2)	-	-	-	-	2	-
Comprehensive income	-	-	-	(951)	-	308	-	-	(644)
Issue of shares	3,101	-	-	-	-	-	-	-	3,101
Balance 30-Jun-14	**58,246**	**-**	**(28,948)**	**1,028**	**2,750**	**(700)**	**1,637**	**463**	**34,476**

(1) FCTR = Foreign Currency Translation Reserve

Notes to the financial statements are included on pages 22 to 30.

CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 30 June 2015

	6 months to 30-Jun-15 $'000	6 months to 30-Jun-14 $'000
Cash flows from operating activities		
Profit before taxation	**(245)**	**(1,501)**
Adjustments for:		
- Non-cash Equity expense	174	58
- Depreciation & amortisation	827	880
- Foreign currency effects	(228)	1,219
- Other Non-cash items	622	592
Cash generated from/(utilised in) underlying operating activities	**1,152**	**1,249**
Movement in working capital balance sheet accounts		
- Trade and Other Receivables	(1,901)	282
- Inventory	6,696	(3,705)
- Trade and Other Payables	(5,971)	634
- Other	354	80
Cash generated from/(utilised in) working capital accounts	**(822)**	**(2,709)**
Cash generated from/(utilised in) underlying operational cash flow and net working capital assets	**330**	**(1,461)**
- Net Interest paid	(612)	(470)
- Income tax paid	(13)	(241)
Net Cash generated from/(utilised in) all operating activities	**(295)**	**(2,171)**
Cash flows from investing activities		
Net cash out on purchase/disposal of property, plant & equipment	(1,579)	(209)
Group Information Technology software	(23)	(35)
Security Deposit	886	-
Other	26	10
Net cash provided by / (used in) investing activities	**(690)**	**(234)**
Cash flows from financing activities		
Principal reduction on debt owing to SMM	-	(2,100)
Bank Debt	2,780	398
Net capital raised from issue of securities	(2)	2,039
Net cash provided by financing activities	**2,779**	**337**
Net increase / (decrease) in cash and cash equivalents	**1,794**	**(2,069)**
Foreign exchange effects on total cash flow movement	**316**	**(396)**
Cash and cash equivalents at the beginning of the reporting period	**6,435**	**7,375**
Cash and cash equivalents at the end of the reporting period	**8,545**	**4,910**

A reconciliation of the comparatives for the 6 months ended 30 June 2014 originally published in the previous half year report has been provided on the following page.

Notes to the financial statements are included on pages 22 to 30.

CONSOLIDATED CASHFLOW STATEMENT (continued)

Reconciliation of Comparative 30 June 2014 figures in Consolidation Cashflow Statement on page 20 with figures first published in the 30 June 2014 Half Year Report

	6 months to 30-Jun-14 Half Year Report $'000	Reallocation Between Categories $'000	Foreign Exchange Adjustment $'000	6 months to 30-Jun-14 Comparative in this report $'000
Net Cash generated from/(utilised in) all operating activities	**(3,127)**	**2,990**	**(2,034)**	**(2,171)**
Cash flows from investing activities				
Net cash out on purchase/disposal of property, plant & equipment	(228)	-	19	(209)
Group Information Technology software	(35)	-	-	(35)
Security Deposit	-	-	-	-
Loan owing by KWE(HK)	-	-	-	-
Investment in Subsidiaries & Other Financial Assets	-	-	-	-
Other	-	10	-	10
Net cash provided by / (used in) investing activities	**(263)**	**10**	**19**	**(234)**
Cash flows from financing activities				
Principal reduction on debt owing to SMM	(2,100)	-	-	(2,100)
Bank Debt	(2,014)	-	2,412	398
Net capital raised from issue of securities	5,039	(3,000)	-	2,039
Net cash provided by financing activities	**924**	**(3,000)**	**2,412**	**337**
Net increase / (decrease) in cash and cash equivalents	**(2,465)**	**-**	**397**	**(2,069)**
Foreign exchange effects on total cash flow movement	**-**	**-**	**(396)**	**(396)**
Cash and cash equivalents at beginning of reporting period	**7,375**			**7,375**
Cash and cash equivalents at the end of the reporting period	**4,910**			**4,910**

Notes to the financial statements are included on pages 22 to 30.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
for the Half-Year Ended 30 June 2015

NOTE 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 2014.

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 2015 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 2014.

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

NOTE 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.

NOTE 2.1 CALL OPTIONS FOR THE ISSUE OF THE COMPANY'S SHARES

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

NOTE 2.2 INCOME TAX EXPENSE/BENEFIT

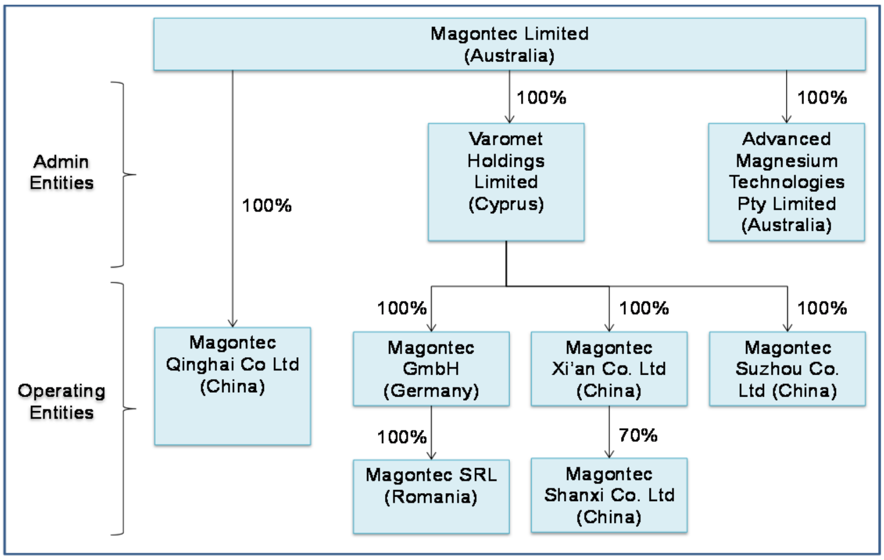
Tax losses previously disclosed in the 31 December 2014 Annual Report encompass Magontec Limited and its Australian controlled entities. The tax benefit corresponding to these losses is not recognised as an asset in the accounts. Income taxes incurred in foreign jurisdictions are not sheltered by these Australian tax losses and are governed by relevant tax legislation in the various foreign jurisdictions in which the Group operates.

NOTE 3 DIVIDENDS

No dividend was declared or recommended during the 6 months ended 30 June 2015. (6 months ended 30 June 2014: no dividend declared or recommended). The balance of the franking account at 30 June 2015 is $nil (30 June 2014: $nil).

NOTE 4 SEGMENT REPORTING

NOTE 4.1 CORPORATE STRUCTURE AS AT 30 June 2015



NOTE 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 2015, segment information is presented in respect of the three main departments within the company.

- 'Admin Units' = Magontec administrative entities performing a Head Office function comprising -
  Magontec Limited (Australia) as described in the chart at NOTE 4.1;
  Advanced Magnesium Technologies Pty Limited (Australia) as described in the chart at NOTE 4.1; and
  Varomet Holdings Limited (Cyprus) as described in the chart at NOTE 4.1.

- 'EUR' = Magontec operating entities in Europe comprising -
  Magontec GmbH (Germany) as described in the chart at NOTE 4.1; and
  Magontec SRL (Romania) as described in the chart at NOTE 4.1.

- 'PRC' = Magontec operating entities in Peoples' Republic of China comprising -
  Magontec Shanxi Co. Ltd. (China) as described in the chart at NOTE 4.1;
  Magontec Xi'an Co. Ltd. (China) as described in the chart at NOTE 4.1;
  Magontec Suzhou Co. Ltd. (China) as described in the chart at NOTE 4.1; and
  Magontec Qinghai Co. Ltd. (China) as described in the chart at NOTE 4.1.

NOTE 4.3 SEGMENT INFORMATION - COMPREHENSIVE INCOME

	6 months to 30 June 2015				6 months to 30 June 2014			
	$'000 Admin	$'000 EUR	$'000 PRC	$'000 TOTAL	$'000 Admin	$'000 EUR	$'000 PRC	$'000 TOTAL
Sale of goods	-	40,937	30,451	71,388	4	42,316	29,649	71,970
Less Inter-company sales				(3,308)				(5,080)
Net Sales	**-**	**40,937**	**30,451**	**68,080**	**4**	**42,316**	**29,649**	**66,890**
Cost of sales	-	(36,856)	(28,635)	(65,491)	-	(39,381)	(28,293)	(67,674)
Less Inter-company sales				3,308				5,080
Net Cost of Sales	**-**	**(36,856)**	**(28,635)**	**(62,184)**	**-**	**(39,381)**	**(28,293)**	**(62,594)**
Gross Profit	**-**	**4,081**	**1,816**	**5,897**	**4**	**2,935**	**1,356**	**4,296**
Other income	162	(8)	57	211	31	839	247	1,117
Interest expense	-	(339)	(309)	(648)	(58)	(402)	(145)	(606)
Impairment of inventory, receivables & other financial assets	-	-	-	-	(218)	(2)	-	(221)
Travel accommodation and meals	(114)	(164)	(106)	(384)	(96)	(147)	(105)	(349)
Research, development, licensing and patent costs	(73)	(64)	(62)	(199)	(41)	(42)	(75)	(158)
Promotional activity	-	(17)	(3)	(20)	-	(35)	(2)	(37)
Information technology	(14)	(125)	(27)	(166)	(8)	(200)	(33)	(241)
Personnel	(688)	(1,852)	(682)	(3,222)	(428)	(1,657)	(622)	(2,707)
Depreciation & Amortisation	-	(212)	(26)	(238)	(10)	(200)	(24)	(234)
Office expenses	(25)	(59)	(48)	(132)	(19)	(150)	(49)	(218)
Corporate	(260)	(760)	(423)	(1,443)	(321)	(900)	(317)	(1,538)
Foreign exchange gain/(loss)	384	(64)	(191)	128	(811)	285	(80)	(606)
Adjustment for income of prior years	-	(30)	-	(30)	-	-	-	-
Profit/(Loss) before income tax expense	**(628)**	**386**	**(3)**	**(245)**	**(1,976)**	**323**	**152**	**(1,501)**
Income tax expense/reimbursement	-	(183)	-	(183)	-	287	-	287
Profit/(Loss) after income tax expense/benefit including discontinued operations	**(628)**	**203**	**(3)**	**(428)**	**(1,976)**	**610**	**152**	**(1,214)**
Other Comprehensive Income								
Movement in various actuarial assessments	-	-	-	-	-	308	-	308
Exchange differences taken to reserves in equity – translation of overseas entities	(220)	(79)	683	384	38	(323)	(666)	(951)
Total Comprehensive Income	**(848)**	**124**	**680**	**(44)**	**(1,938)**	**595**	**(514)**	**(1,857)**

NOTE 4.4 SEGMENT INFORMATION - BALANCE SHEET

Segment Assets	**30-Jun-15 $'000 Admin**	**30-Jun-15 $'000 EUR**	**30-Jun-15 $'000 PRC**	**30-Jun-15 $'000 TOTAL**	**31-Dec-14 $'000 Admin**	**31-Dec-14 $'000 EUR**	**31-Dec-14 $'000 PRC**	**31-Dec-14 $'000 TOTAL**
Gross Segment assets	50,911	44,949	37,218	133,078	51,069	51,272	33,676	136,017
Adjustment	-	-	-	-	-	-	-	-
Eliminations	-	-	-	-	-	-	-	-
- Inter-Coy Loans	(36,677)	(1,032)	(4,327)	(42,037)	(35,348)	(965)	(3,438)	(39,751)
- Investment in subsidiaries	(15,392)	-	-	(15,392)	(15,392)	-	-	(15,392)
- Other	6,607	320	(46)	6,880	5,598	51	(54)	5,595
As per Consolidated Balance Sheet	**5,449**	**44,237**	**32,844**	**82,530**	**5,926**	**50,358**	**30,184**	**86,469**
Segment Liabilities								
Gross Segment liabilities	23,069	41,892	25,824	90,784	21,840	47,682	22,954	92,477
Adjustment	-	-	-	-	-	-	-	-
Eliminations	-	-	-	-	-	-	-	-
- Inter-Coy Loans	(22,904)	(10,997)	(8,179)	(42,079)	(21,709)	(10,534)	(7,593)	(39,837)
- Other	-	(72)	(443)	(515)	-	67	(443)	(376)
As per Consolidated Balance Sheet	**165**	**30,822**	**17,202**	**48,189**	**131**	**37,215**	**14,918**	**52,264**
Net assets	**5,284**	**13,415**	**15,642**	**34,341**	**5,795**	**13,143**	**15,266**	**34,205**

NOTE 5 CONTINGENT ASSETS & LIABILITIES

With the exception of the items below, contingent assets and liabilities remain unchanged from those disclosed in the Annual Report at 31 December 2014.

In the 31 December 2014 annual report the Company disclosed that, as at the date of that report, an audit of VAT by the Romanian tax office of MAR was in progress with the outcome at that stage unknown. Additionally, in the same annual report, we noted that the local Romanian auditor had identified unreconciled differences in the fixed assets register.

At the date of this report the outcome of the VAT audit is undetermined. However in the course of the audit the Company has become aware of a matter that may give rise to interest and penalties. The potential impost is unlikely to exceed the Company's materiality threshold.

The unreconciled differences in the fixed asset register mentioned in the 31 December 2014 annual report have been resolved resulting in a negative adjustment of $30,042 shown in the Comprehensive Income Statement at the line 'Adjustment for income of prior years'.

NOTE 6 SHARE CAPITAL

	30-Jun 2015 $'000	31-Dec 2014 $'000
Opening balance of share capital attributable to members of MGL	**58,262**	**55,145**
Issue of shares to Executives of Magontec Limited (1)	174	16
Issue of securities in respect of conversion of listed options	-	5,596
Issue of securities to SMM in respect of conversion of Convertible Loan Notes	-	1,063
Monies received prior to 31 Dec 2013 for shares issued in 2014 now allocated	-	(3,548)
Various costs associated with above issues	(2)	(9)
Share capital on issued ordinary shares 1,127,311,901 (2014: 1,115,725,813)	**58,435**	**58,262**
Share capital attributable to members of MGL	58,435	58,262
Share capital attributable to minority interest	463	463
Total share capital	**58,898**	**58,725**

(1) Shares issued in the half year to 30 June 2015 were pursuant to the terms of entitlement under Resolution 5 of the Company's 2015 AGM held 8 May 2015.

NOTE 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-15 $'000	6 months to 30-Jun-14 $'000
Cash and cash equivalents at the beginning of the reporting period	**6,435**	**7,375**
Net cash (used)/generated in operating activities	(295)	(2,171)
Net cash provided by / (used in) investing activities	(690)	(234)
Net cash provided by / (used in) financing activities	2,779	337
Foreign exchange effects on total cash flow movement	316	(396)
Cash and cash equivalents at the end of the reporting period	**8,545**	**4,910**
Cash on hand and at bank	**8,545**	**4,910**

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NOTE 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.

NOTE 9 CALCULATION OF EARNINGS/(LOSS) PER SHARE INCLUDING DISCONTINUED OPERATIONS

Earning/(Loss) per share:		Half-Year Ended 30-Jun-15	Half-Year Ended 30-Jun-14
Profit/(Loss) attributable to members of the parent entity including discontinued operations	1	($427,534)	($1,213,748)
Average shares on issue for the period	2	1,118,862,379	1,110,014,752
Total vested options (Refer NOTE 2.1)	3	-	-
Basic Earnings/(Loss) per share (cents per share)	1 ÷ 2 × 100	(0.038)	(0.109)
Diluted Earnings/(Loss) per share (cents per share)	1 ÷ (2 +3)× 100	(0.038)	(0.109)

NOTE 10 OTHER INCOME IN COMPREHENSIVE INCOME STATEMENT

	6 months to 30-Jun-15 $'000	6 months to 30-Jun-14 $'000
Interest revenue	41	64
Prior year income	-	-
Gain/(Loss) on disposal of fixed asset	-	-
Gain on termination of interest rate swap contract	3	331
Receivables recovery following insolvency liquidation	-	103
Government subsidies	-	169
Other revenue	166	450
	211	**1,117**

NOTE 11 TRADE RECEIVABLES AND PAYABLES

NOTE 11.1 CURRENT TRADE AND OTHER RECEIVABLES

	30-Jun 2015 $'000	31-Dec 2014 $'000
Trade receivables (1)	23,969	22,509
Allowance for doubtful debts	(801)	(788)
	23,168	**21,720**
Net GST/VAT recoverable	649	1,105
Security deposits (2)	18	921
Derivatives fair value adjustment	-	137
Other receivables due to operating entities	779	1,274
Other	62	86
	1,507	**3,522**
	24,676	**25,242**

(1) Trade receivables represent 63.73 days sales at 30 June 15 (63.31 days sales at 30 June 14)

NOTE 11.2 CURRENT TRADE AND OTHER PAYABLES

	30-Jun 2015 $'000	31-Dec 2014 $'000
Trade creditors (1)	11,908	19,235
Other creditors and accruals	3,514	3,290
	15,421	**22,525**

(1) Trade creditors represent 34.66 days cost of goods sold (46.11 days cost of goods sold at 30 June 14)

NOTE 12 RESERVES

	30-Jun 2015 $'000	31-Dec 2014 $'000
Capital reserve		
Balance at beginning of financial year	2,750	2,750
Balance at end of financial year	**2,750**	**2,750**
Foreign currency translation reserve		
Balance at beginning of financial year	2,408	1,979
Movement in VHL Consolidated accounts	384	429
Balance at end of financial year	**2,791**	**2,408**
Actuarial Reserves		
Balance at beginning of financial year	(1,917)	(1,007)
Derivatives	-	468
Deferred tax assets	-	448
Employee pensions	-	(1,826)
Other	7	-
Balance at end of financial year	**(1,910)**	**(1,917)**
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	**5,268**	**4,878**
Reserves attributable to minority interests	-	-
Reserves attributable to members of MGL	5,268	4,878
Total reserves	**5,268**	**4,878**
Other Comprehensive Income - that may later emerge in the Profit and Loss Statement		
Exchange differences taken to reserves in equity – translation of overseas entities	384	429
Movement in various actuarial assessments	-	(909)
Total Other Comprehensive Income	**384**	**(481)**

Notes

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).

NOTE 13 BORROWINGS

	30-Jun 2015 $'000	30-Jun 2015 Maturity Date	30-Jun 2015 Interest pa (1)	31-Dec 2014 $'000	31-Dec 2014 Maturity Date	31-Dec 2014 Interest pa (1)
Bank & Institutional Borrowings						
Magontec GmbH (Bank Loan) (2) (4)	8,689	30-Jun-17	2.14%	8,881	30-Jun-17	2.22%
Magontec GmbH (Bank Loan) (2) (4)	1,996	30-Jun-17	2.34%	2,832	30-Jun-17	2.32%
Magontec GmbH (Hire Purchase Facility) (4)	779	31-Dec-18	1.20%	693	31-Dec-18	1.20%
Magontec GmbH (Factoring Facility) (3)	1,328	30-Nov-16	1.44%	2,116	30-Nov-16	1.52%
Magontec SRL (Working Capital Facility)	83	Open	3.15%	-	Open	5.54%
Magontec SRL (Bank Loan)	1,257	28-Apr-17	2.70%	628	28-Apr-17	3.25%
Magontec Xian Limited (Bank Loan) (4)	742	7-Aug-15	6.34%	698	07-Aug-15	6.34%
Magontec Xian Limited (Bank Loan) (4)	873	25-Sep-15	6.30%	821	25-Sep-15	6.30%
Magontec Xian Limited (Bank Loan) (4)	838	27-Nov-15	6.02%	788	27-Nov-15	6.02%
Magontec Xian Limited (Bank Loan) (4)	628	2-Jul-15	6.20%	-	-	-
Magontec Xian Limited (Bank Loan) (4)	2,107	8-Jul-15	6.20%	-	-	-
Magontec Xian Limited (Bank Loan)	4,196	28-Apr-16	5.62%	3,951	22-Apr-15	6.40%
Total Bank Borrowings	**23,518**			**21,408**		
Current Borrowings						
Bank borrowings as above (excluding factoring facility)	21,656	Various	Various	18,663	Various	Various
Other Current Borrowings	-			-		
Total Current Borrowings	**21,656**			**18,663**		
Non Current Borrowings						
Bank borrowings as above	534	28-Apr-17	2.70%	628	28-Apr-17	3.25%
Total Non Current borrowings	**534**			**628**		

(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 €4,414,000 ($6,392,469) and inventory of €6,164,000 ($8,926,865).

(3) This facility is set off against trade debtors, and thus is not shown in 'Borrowings' on the balance sheet.

(4) As at 30 June 2015, the company was in breach of its 'minimum net tangible worth ratio' covenant with Commerzbank. This was mostly due to an increase in the pension defined benefit obligation during the year as a result of a fall in the discount rate assumption.

As such all amounts owing to Commerzbank are deemed repayable on demand and classified as current liabilities in accordance with IFRS. The Group continues to remain confident of the ongoing support of Commerzbank and received written confirmation in late February 2015 that the bank will continue to offer facilities up to the value of EUR12.0 million (AUD$17.4 million).