



## China Magnesium Corporation Limited

### Appendix 4E – Preliminary Final Report

<b>Name of Entity:</b>	China Magnesium Corporation Limited
<b>ABN:</b>	14 125 236 731
<b>Reporting Period - year ended:</b>	30 June 2019
<b>Previous corresponding period – period ended</b>	30 June 2018

### Results for Announcement to the Market

	Percentage change Up or Down	%		\$'000
Revenue from ordinary activities	up	4800%	to	1,277
(Loss) from ordinary activities after tax attributable to members	up	285%	to	(10,526)
(Loss) for the period attributable to members	up	285%	to	(10,526)

Dividends	Amount per Security	Franked amount per security
Interim Dividend – Current reporting period	Nil	Nil
Final Dividend – Current reporting period	Nil	Nil
Record date for determining entitlements to dividends (if any)		Not applicable
Date Dividend is payable		Not applicable
Details of any dividend reinvestment plan in operation		Not applicable
The last date for receipt of an election notice for participation in any dividend reinvestment plan		Not applicable

Net Tangible Assets (NTA)	June 2019	June 2018
Net Tangible Assets per security	1.0 Cents	2.8 Cents

This report comprises the information as required by Listing rule 4.3A. It is in the process of being audited.

# China Magnesium Corporation Limited and its subsidiaries

## Chief Executive Officer's Report – 30 June 2019

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### Brief explanation of any figures reported above necessary to enable the figures to be understood

During the year, the Company issued 97,541,522 ordinary shares and 97,541,522 unlisted options raising a total of \$4.87m in cash before costs.

The Pingyao magnesium plant (owned by SYMC, with CMC holding a 91.25% interest in SYMC) continued to be subject to changing environmental control restrictions brought about by continual changes in regulations in China since 2017. As a result, on 6 August 2019 CMC announced to ASX that it had signed a Sales & Purchase Agreement with China-based Worldcom Parkway International Trade (Tianjin) Co. Ltd for the disposal of SYMC for RMB1,000,000 subject to all relevant approvals being obtained (including approval by CMC shareholders as required by Listing Rule 11.2). An internal fair value analysis of SYMC based on a non-going concern basis revealed a negative shareholders equity. CMC's Directors believe the consideration of \$207,658 (RMB 1M) to be received under the Sales and Purchase Agreement is reasonable after taking into account the recoverable amount. The impairment of \$5.8M shown in the Statement of Profit and Loss has been based on this consideration and booked into the Profit and Loss for the period 30 June 2019. This has been allocated to the Plant & Equipment in the pro forma financial position below, which reduces its carrying amount from \$14.5M to \$8.7M. In addition, the Group impaired an outstanding receivable of \$2.6M (RMB15M).

On 7 March 2019, CMC, SWI and Sovran White (Shandong) Logistic International Company Ltd (**SWSI**) entered into an agreement (7 March Agreement) whereby the parties agreed that:

- SWI grants the Co-operative Rights to SWSI, which was 100% owned by SWI.
- CMC acquires 21.43% of SWSI for a consideration of \$4.5m.

On 4 June 2019, pursuant to a novation agreement (Novation Agreement), SWSI novated its rights and obligations under the 7 March Agreement to Sovran White (Singapore) Logistics Pte Ltd (SWL). Refer to the CEO's report for further details.

On 6 August 2019, the Company announced that it had agreed to raise \$500,000 through the issue of shares at \$0.03 per ordinary share (Placement), with 6,666,666 shares issued on 6 August 2019, 3,333,333 shares issued on 28 August 2019, and the balance expected to be issued shortly.

## Commentary on Results

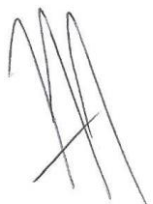
Refer attached Chief Executive Officer's report

## Dividends

No dividends were paid or declared during the period ending 30 June 2019.

## Compliance Statement

This report is based on the financial report that are being audited by our external auditors. Refer also page 2.



Jin Thean (Jason) Teoh  
Chief Executive Officer

Date: 30 August 2019

# China Magnesium Corporation Limited and its subsidiaries

## Chief Executive Officer's Report – 30 June 2019

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Dear Shareholders

This has been indeed a very challenging financial year for the Group but at the same time therein lies new opportunities as we aim to navigate CMC into new beginnings subject to relevant approvals being obtained.

The Pingyao magnesium plant (owned by CYMC, which is 91.25% held by CMC) continued to be overwhelmed with environmental control restrictions brought about by continual changes in regulations in China which have resulted in the plant not being operational. SYMC's key calcinated dolomite supplier is also facing similar environmental control issues in getting its plant operating. SYMC has lost approximately A\$8.6 million (RMB 43M), excluding eliminated intragroup balances and recharges on consolidation, since its inception and requires significant further capital.

CMC's Board has been monitoring the situation closely and decided that, given these uncertainties and difficulties, to take the much needed bold but critical action and in our opinion the best course of action and dispose of SYMC. As announced to ASX on 6 August 2019, CMC has signed a Sales & Purchase Agreement with China-based Worldcom Parkway International Trade (Tianjin) Co. Ltd to sell its interest in SYMC for RMB1,000,000 subject to all relevant approvals being obtained.

### Financial summary

The Group has recorded an impairment of \$8.4M in relation to SYMC, contributing to the net loss after tax of \$11.1M in 2019 compared with a loss of \$3.1M in 2018.

### Pingyao update

Construction and installation of a Magnesium Lithium plant at Pingyao with a nominal capacity of 108tpa was completed in September 2018. Since then, samples of MgLi alloy were sent for testing by the potential customer but unfortunately, the samples did not meet the customer quality requirements and no further production was undertaken.

In February 2019, Pingyao Environment Protection Bureau (PEPB) advised Pingyao plant management on possible steps to be taken for the Pingyao plant to comply with the relevant environmental regulations in relation to coal to gas facilities, including new desulfurization and denitrification facilities and online monitoring devices. The Pingyao plant has not commenced these changes due to environmental restrictions imposed on the plant supplier of calcinated dolomite and the capital funding required.

Notwithstanding the implementation of the PEPB environmental control measures, re-commencement of the Pingyao plant is still subject to securing economic supply of calcinated dolomite, a raw material required to produce magnesium, from the Group's PRC supplier located in Pingyao (Supplier). This has been disrupted due to the same environmental regulations that have affected the Pingyao plant. As far as CMC is aware, production is yet to re-commence at the Supplier's plant and CMC's Chinese management has not been provided with any updates on the Supplier's intentions due to the uncertainties of environmental restrictions.

CMC notes that even if the environmental restrictions imposed on the Pingyao plant can be overcome (though at this time it is not certain) with further capital expenditure, securing the supply of calcinated dolomite and hiring the skilled workers are uncertain, and as such there is no certainty that further capital expenditure would generate any revenue.

Further, on 5 July 2019, three officials from the Ministry of Ecology and Environment of the PRC (**MEE**) visited Pingyao plant to investigate and verify the following:

- a) whether the plant was built with all appropriate approvals;
- b) whether the plant is still operating without meeting the latest discharge requirements of environment protection regulations; and
- c) whether the plant has stopped production as previously reported.

After MEE's meeting and review of all the permits and approvals of the plant, MEE verbally informed plant management that:

- a) the environment impact assessment report prepared and approved for the plant in 2007 was not valid; and
- b) the new discharge standards are being changed on a yearly basis (even half-yearly recently).

## China Magnesium Corporation Limited and its subsidiaries

### Chief Executive Officer's Report – 30 June 2019

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The above assessment and information from MEE are different from those previously provided by PEPB. CMC notes that the relevant environmental regulations and their implementation were (and remain) subject to ongoing review and possible changes.

Following the inherent and continued uncertainties and restrictions plaguing the Pingyao plant over the past years and to limit CMC's continued loss-making exposure to its investment in SYMC, the CMC Board has taken the unanimous and bold decision to sell CMC's interest in SYMC, with the sale announced on 6 August 2019. We believe this is in the best interest of CMC as a whole.

#### Lithium tenements

CMC has a 40% equity interest in CMC Lithium which owns 2 tenements in the Greenbushes area of Western Australia. Mineral exploration activities continue to be in progress. For the 12-month period to 30 June 2019, CMC Lithium conducted a Laterite Surface Sampling program and following the encouraging results obtained from the sampling program CMC Lithium commenced an aircore drilling program during May 2019 with drilling samples sent to the laboratory. CMC equity accounted a loss of \$90,600.

#### Orchard & Plantation Project Joint Venture

On 7 March 2019, CMC, Sovran White International Pte Ltd (**SWI**) and Sovran White (Shandong) Logistic International Company Ltd (**SW Shandong**) entered into a share sale and purchase agreement under which CMC acquired a 21.43% interest in SW Shandong from SWI for \$2m cash and 50m CMC Shares. The agreement replaced a conditional heads of agreement announced by CMC on 29 October 2018, and was completed on 8 March 2019.

On 3 September 2018, WG assigned (WG Assignment Agreement) its rights in the orchard project to Sovran White International Pte Ltd (SWI) (which is owned by WG).

SW Shandong was (through an assignment from SWI) a party to a joint venture agreement over 400km<sup>2</sup> of existing orchards in Yiyuan County, Shandong Province China with Shandong Luzhong Hi-tech Park Development Co. Ltd (**SLHD**) (a state-owned company in PRC). Under their joint venture agreement:

Shandong Luzhong Hi-tech Park Development Co. Ltd (**SLHD**) (a state-owned company in PRC) and White Group Pty Ltd (**WG**) entered into an agreement, among other things, to develop an orchard project (**Project Agreement**). The Project Agreement provides, among other things, the following:

- SLHD and WG will incorporate a project company to develop the orchard project in Shandong, China;
- SLHD will contribute orchard for up to 30% interest in the project company and WG will contribute capital for 70% or more of the project company;
- Profits from the project company will be distributed based on the parties' interest in the project company;
- WG shall be responsible for:
  - establishing cold chain storages, logistics and sales networks;
  - selling the produces from the project company to overseas markets

On 4 June 2019 the parties agreed to novate SW Shandong's rights and obligations under the joint venture to Sovran White (Singapore) Logistics Pte Ltd (**SW Singapore**), with CMC holding 21.43% of SW Singapore.

CMC and SW Singapore have also entered into a supplementary management service agreement in relation to management services to be provided by CMC to SW Singapore.

#### Commodities and General Trading

CMC has negotiated some commodity-based trades during the year ended on 30 June 2019. This reflected the effort to create sources of income which is in line with CMC's business of international trading of commodities. These trades generated a total revenue of around \$1.17 million for the financial year ended on 30 June 2019. We anticipate overall trading activities to increase through time.

# China Magnesium Corporation Limited and its subsidiaries

## Chief Executive Officer's Report – 30 June 2019

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### Working capital and Placements

Following the sale of SYMC, CMC's operations will consist its interest in SW Singapore and commodities trading. On 6 August 2019, the Company announced that it had agreed to raise \$500,000 through the issue of shares at \$0.03 per share (Placement), with 9,999,999 shares issued to-date raising \$300,000.

The Group funding needs are uncertain until shareholders' at a shareholders meeting to be called approve the sale of SYMC.

### Rights and options raising

During the year, The Company issued 97,541,522 ordinary shares and 97,541,522 unlisted options raising a total of \$4.87m in cash before costs.

### Going concern

In forming a view that the Group is a going concern, the directors' have assumed:

- a) the sale of CMC's interest in SYMC;
- b) access to funding from further capital raisings;
- c) management services revenue commencing from the plantation associate, SW Singapore;
- d) cashflow and profits arising from trading operations.

Should all of the above assumptions not eventuate, there exists a material uncertainty regarding the Company's and Group's ability to continue as a going concern and realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements.

### Looking forward

CMC intends to obtain shareholders and all other relevant approvals necessary for a new business undertaking.

Yours sincerely,



Jin Thean (Jason) Teoh  
Chief Executive Officer

**China Magnesium Corporation Limited and its subsidiaries**  
**Consolidated Financial Statements – 30 June 2019**

**Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2019**

	Note	Consolidated	
		2019	2018
		\$	\$
Revenue	2	1,267,987	26,092
Other income	2	8,282	267,836
		<u>1,276,269</u>	<u>293,928</u>
Gain from loss of control of subsidiary		-	690,000
Gain on derecognition of liability		-	386,800
Impairment – quarry		-	(665,250)
Impairment – plant & equipment	9	(5,808,871)	(1,739,840)
Impairment -receivable	9	(2,587,137)	-
Share of profit/(loss) of associate	4	(107,750)	(54,749)
Decommissioning expense		-	(87,266)
Costs of raw materials and consumables		(1,021,731)	(24,591)
Auditing and accounting expenses		(119,343)	(116,851)
Depreciation and amortisation	3	(598,556)	(386,934)
Employee benefits		(1,197,883)	(1,555,940)
Finance costs		(105,677)	(138,320)
Foreign exchange gain/(loss)		(330,551)	747,068
Lease interest and amortisation		(211,795)	(71,035)
Other expenses		(256,402)	(351,782)
Travel		(73,460)	(25,375)
Total expenses		<u>(12,419,156)</u>	<u>(4,084,065)</u>
<b>Loss before income tax</b>		<u>(11,142,887)</u>	<u>(3,100,137)</u>
Income tax benefit		-	-
<b>Loss for the year</b>		<u>(11,142,887)</u>	<u>(3,100,137)</u>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation differences		-	57,805
Income tax on items of other comprehensive income		-	-
<b>Other comprehensive income for the year (net of tax)</b>		<u>-</u>	<u>57,805</u>
<b>Total comprehensive income for the year</b>		<u><b>(11,142,887)</b></u>	<u><b>(3,042,332)</b></u>
Loss for the year is attributable to:			
Owners of the parent		(10,526,209)	(2,735,658)
Non-controlling interests		<u>(616,678)</u>	<u>(364,479)</u>
		<u>(11,142,887)</u>	<u>(3,100,137)</u>
Total comprehensive income for the year is attributable to:			
Owners of the parent		(10,526,209)	(2,683,970)
Non-controlling interests		<u>(616,678)</u>	<u>(358,362)</u>
		<u><b>(11,142,887)</b></u>	<u><b>(3,042,332)</b></u>
<b>Earnings per share</b>		Cents	Cents
Basic earnings/(loss) per share for the year	10	(2.8)	(1.0)
Diluted earnings/(loss) per share for the year	10	(2.8)	(1.0)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**China Magnesium Corporation Limited and its subsidiaries**  
**Consolidated Financial Statements – 30 June 2019**

**Consolidated statement of financial position as at 30 June 2019**

	Note	2019 \$	2018 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	295,056	1,043,615
Trade and other receivables	9	1,716,439	954,319
Inventories		80,633	80,267
<b>Total Current Assets</b>		<b>2,092,128</b>	<b>2,078,201</b>
<b>Non-current assets</b>			
Prepayments		803,382	2,607,120
Property, plant and equipment	9	8,692,206	14,697,503
Right of use assets		381,490	144,596
Investment equity accounted associate	4	5,037,501	645,251
<b>Total Non-Current Assets</b>		<b>14,914,579</b>	<b>18,094,470</b>
<b>Total assets</b>		<b>17,006,707</b>	<b>20,172,671</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		2,095,006	1,638,901
Lease liabilities		147,866	61,050
Employee benefits		17,725	17,248
<b>Total Current Liabilities</b>		<b>2,260,597</b>	<b>1,717,199</b>
<b>Non-Current liabilities</b>			
Trade and other payables		6,652,483	6,775,395
Lease liabilities		248,975	96,971
Borrowings		1,712,974	1,555,528
<b>Total Non-Current Liabilities</b>		<b>8,614,432</b>	<b>8,427,894</b>
<b>Total liabilities</b>		<b>10,875,029</b>	<b>10,145,093</b>
<b>Net assets</b>		<b>6,131,678</b>	<b>10,027,578</b>
<b>EQUITY</b>			
Contributed equity	6	31,139,842	23,892,855
Reserves		3,447,917	3,447,917
Accumulated losses		(27,533,695)	(17,007,486)
Total equity attributable to owners of the parent		7,054,064	10,333,286
Non-controlling interest		(922,386)	(305,708)
<b>Total equity</b>		<b>6,131,678</b>	<b>10,027,578</b>

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes.*

*Please refer Note 9 for the Group financial position with the impairment and deconsolidation of SYMC related balances when all relevant conditions and approvals pursuant to the Sales and Purchase Agreement of SYMC are satisfied.*

**China Magnesium Corporation Limited and its subsidiaries**  
**Consolidated Financial Statements – 30 June 2019**

**Consolidated statement of changes in equity for the year ended 30 June 2019**

	Contributed equity	Accumulated losses	Foreign currency translation reserve	Change of interest in subsidiary reserve	Total	Non-Controlling interest	Total equity
	\$	\$	\$	\$	\$	\$	\$
<b>At 1 July 2017</b>	<b>23,189,218</b>	<b>(14,271,828)</b>	<b>2,877,299</b>	<b>518,930</b>	<b>12,313,619</b>	<b>52,654</b>	<b>12,366,273</b>
(Loss) for the year	-	(2,735,658)	-	-	(2,735,658)	(364,479)	(3,100,137)
<i>Other comprehensive income:</i>							
Foreign currency translation difference	-	-	51,688	-	51,688	6,117	57,805
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(2,735,658)</b>	<b>51,688</b>	<b>-</b>	<b>2,683,969</b>	<b>(358,362)</b>	<b>(3,042,332)</b>
<b>Transactions with owners in their capacity as owners</b>							
Issue of shares	708,483	-	-	-	708,483	-	708,483
Issue costs	(4,846)	-	-	-	(4,846)	-	(4,846)
<b>At 30 June 2018</b>	<b>23,892,855</b>	<b>(17,007,486)</b>	<b>2,928,987</b>	<b>518,930</b>	<b>10,333,286</b>	<b>(305,708)</b>	<b>10,027,578</b>
Loss for the year	-	(10,526,209)	-	-	(10,526,209)	(616,678)	(11,142,887)
<i>Other comprehensive income:</i>							
Foreign currency translation difference	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(10,526,209)</b>	<b>-</b>	<b>-</b>	<b>(10,526,209)</b>	<b>(616,678)</b>	<b>(11,142,887)</b>
<b>Transactions with owners in their capacity as owners</b>							
Issue of shares	7,377,076	-	-	-	7,377,076	-	7,377,076
Issue costs	(130,088)	-	-	-	(130,088)	-	(130,088)
<b>At 30 June 2019</b>	<b>31,139,842</b>	<b>(27,533,695)</b>	<b>2,928,987</b>	<b>518,930</b>	<b>7,054,064</b>	<b>(922,386)</b>	<b>6,131,678</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.



**China Magnesium Corporation Limited and its subsidiaries**  
**Consolidated Financial Statements – 30 June 2019**

**Consolidated Statement of cash flows for the year ended 30 June 2019**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		650,726	123,989
Payments to suppliers and employees		(3,704,827)	(1,050,962)
Interest received		15,744	5,617
Interest and other costs of finance paid		(3,587)	(135,706)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>(3,041,944)</b>	<b>(1,057,062)</b>
<b>Cash flows from investing activities</b>			
Payments for property plant and equipment		(274,171)	-
Investment in associate		(2,000,000)	-
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(2,274,171)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from share issue/share option		4,877,075	704,440
Share issue costs		(130,088)	(804)
Lease capital repayment		(167,331)	(47,866)
Lease interest		(44,464)	(14,502)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>4,535,192</b>	<b>641,268</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(780,922)</b>	<b>(415,794)</b>
Cash and cash equivalents at the beginning of the year		1,043,615	1,433,592
Effects of exchange rate changes on cash and cash equivalents		32,364	25,817
<b>Cash and cash equivalents at the end of the year</b>	<b>5</b>	<b>295,056</b>	<b>1,043,615</b>

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

## **Notes to the consolidated financial statements**

<a href="#">NOTE 1: SEGMENT INFORMATION</a> .....	10
<a href="#">NOTE 2: REVENUE</a> .....	10
<a href="#">NOTE 3: EXPENSES</a> .....	11
<a href="#">NOTE 4: INVESTMENT ACCOUNTED FOR USING EQUITY METHOD</a> .....	11
<a href="#">NOTE 5: CURRENT ASSETS – CASH AND CASH EQUIVALENTS</a> .....	12
<a href="#">NOTE 6: CONTRIBUTED EQUITY</a> .....	13
<a href="#">NOTE 7: CONTINGENCIES</a> .....	14
<a href="#">NOTE 8: COMMITMENTS</a> .....	14
<a href="#">NOTE 9: SUBSIDIARIES AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS</a> .....	14
<a href="#">NOTE 10: EARNINGS PER SHARE</a> .....	16
<a href="#">NOTE 11: SUBSEQUENT EVENTS</a> .....	16

# China Magnesium Corporation Limited and its subsidiaries

## Notes to Consolidated Financial Statements - 30 June 2019

### NOTE 1: SEGMENT INFORMATION

#### (a) Description of segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision maker) in assessing performance and determining the allocation of resources. Operating segments are determined on the basis of financial information reported to the Board, which is at the Group level. Accordingly, management currently identifies the Group as having only one reportable segment, being the processing and sale of magnesium, coke, fertilisers and commodity products.

During the year, the Group equity account the results of the second associate, Sovran White (Singapore) Logistics Pte Ltd (SWL) which is involved in distribution of produce from a Plantation Project in China. CMC's executive management intend to be involved with the Project, having secured certain contract for management and administrative services.

#### (b) Entity-wide disclosures

Consolidated revenues from each product or service;

	<b>Magnesium, coke, fertilisers and commodity products</b>	<b>Other income</b>	<b>Total</b>
	\$	\$	\$
<b>2019</b>	1,187,243	89,026	1,276,269
<b>2018</b>	-	293,928	293,928

During the year \$1,187,243 (2018: \$ Nil) revenue was mainly derived from trading activities of wood-based commodity products, besides magnesium, coke, fertilisers conducted through the subsidiaries.

### NOTE 2: REVENUE AND OTHER INCOME

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	\$	\$
Revenue from wood-based products	1,169,829	-
Revenue from Magnesium Lithium	17,414	-
Management fee (a)	45,000	20,000
Administrative fee (b)	20,000	-
Other income	8,282	68,459
Earnest money forfeited	-	199,374
Interest	15,744	6,092
<b>Total revenue and other income</b>	<b>1,276,269</b>	<b>293,928</b>

- (a) Management fee was earned from CMC Lithium Pty Ltd (associate) - \$5,000 monthly till April 2019;  
 (b) Administrative fee was earned from Sovran White (Singapore) Logistics Company Pte Ltd.- \$5,000 monthly (or 5% of the sales revenue of the associate, whichever is higher) from March 2019.

**China Magnesium Corporation Limited and its subsidiaries**  
**Notes to Consolidated Financial Statements - 30 June 2019**

**NOTE 3: EXPENSES AND OTHER ITEMS**

	2019 \$	2018 \$
<b>Profit/(loss) before income tax includes the following specific items</b>		
<i>Depreciation/Amortisation</i>		
Buildings/Plant & Equipment	487,591	337,377
Furniture & Fitting/Office Equipment (a)	80,487	-
Leasehold Land	30,478	29,483
Quarry	-	20,074
<b>Total depreciation and amortisation</b>	<b>598,556</b>	<b>386,934</b>
Interest and finance charges paid/payable	144,298	138,320
Rental expense, including lease interest and amortisation of right to use asset (a)	239,262	71,305
Plant & Equipment impairment (b)	5,808,871	1,739,840
Receivable impairment (c)	2,587,137	-
Quarry impairment	-	665,250
Gain from loss of control of subsidiary	-	690,000

(a) Effective 15 July 2018 the company commenced a new office lease in Great World City, Singapore at a monthly lease of SGD11,440 excluding GST. Furniture & Fittings and Office Equipment including renovation costs have been depreciated over estimated useful life of three years.

(b) Impairment based on recoverable amount of SYMC has been allocated to Plant & equipment.

(c) Impairment relates to RMB15M(A\$2,587,137) in relation to a long outstanding amount

**NOTE 4: INVESTMENT ACCOUNTED FOR USING EQUITY METHOD**

Name	Principal activities /Country of incorporation	2019 %	2018 %
CMC Lithium Pty Ltd	Preliminary exploration for lithium / Australia	40%	40%

	2019 \$'000	2018 \$'000
<i>Summarised statement of financial position</i>		
Current assets	672	913
Non-current assets	700	700
<b>Total assets</b>	<b>1,372</b>	<b>1,613</b>
Current liabilities	27	41
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>27</b>	<b>41</b>
<b>Net Assets</b>	<b>1,345</b>	<b>1,572</b>
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Revenue	-	-
Expenses	(226)	(137)
Profit / (loss) before income tax	(226)	(137)
Income tax expense	-	-
Profit / (loss) after income tax	(226)	(137)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(226)</b>	<b>(137)</b>
<i>Consolidated entity's carrying amount reconciliation</i>		
Opening carrying amount	700	700
Share of loss after income tax	(146)	(55)
<b>Closing carrying amount</b>	<b>554</b>	<b>645</b>

**China Magnesium Corporation Limited and its subsidiaries**  
**Notes to Consolidated Financial Statements - 30 June 2019**

**NOTE 4: INVESTMENT ACCOUNTED FOR USING EQUITY METHOD**  
**(Continue)**

<b>Name</b>	<b>Principal activities /Country of incorporation</b>	<b>2019 %</b>	<b>2018 %</b>
Sovran White (Singapore) International Logistics Pte Ltd (SWL)	Management services and distribution of produce from Plantation in China	21.43%	0%
			<b>2019 \$'000</b>
<i>Summarised statement of financial position</i>			
Current assets			-
Non-current assets			21,000
<b>Total assets</b>			<b>21,000</b>
Current liabilities			80
Non-current liabilities			-
<b>Total liabilities</b>			<b>80</b>
<b>Net Assets</b>			<b>20,920</b>
<i>Summarised statement of profit or loss and other comprehensive income</i>			
Revenue			-
Expenses			(80)
Profit / (loss) before income tax			(80)
Income tax expense			-
Profit / (loss) after income tax			(80)
Other comprehensive income			-
<b>Total comprehensive income</b>			<b>(80)</b>
<i>Consolidated entity's carrying amount reconciliation</i>			
Opening carrying amount			4,500
Share of loss after income tax			(17)
<b>Closing carrying amount</b>			<b>4,483</b>

No comparatives have been presented in the table above as the results of the associate were equity accounted effective from March 2019.

**NOTE 5: CASH AND CASH EQUIVALENTS**

	<b>Consolidated</b>	
	<b>2019 \$</b>	<b>2018 \$</b>
Cash at bank and in hand	237,516	961,819
Deposits at call	57,540	81,796
	<b>295,056</b>	<b>1,043,615</b>

Cash at bank and in hand earn interest rates between zero and 1.0% (2018: zero and 1.0%).  
 Deposits at call earn a floating interest rate of around 1% (2018: 1%).

**China Magnesium Corporation Limited and its subsidiaries**  
**Notes to Consolidated Financial Statements - 30 June 2019**

**NOTE 6: CONTRIBUTED EQUITY**

	2019 Shares	2018 Shares	2019 \$	2018 \$
<b>(a) Share capital</b>	<b>462,438,556</b>	<b>314,897,034</b>	<b>31,139,843</b>	<b>23,892,855</b>
Ordinary shares fully paid				
<b>(b) Movements in ordinary share capital</b>				
Date	Details	Number of shares	*Issue price	\$
30 June 2018	Balance	<b>314,897,034</b>		<b>23,892,855</b>
30 November 2018	Rights issue	37,541,522	0.05	1,877,076
	Rights issue transaction costs	-	-	(5,706)
31 December 2018	Balance	352,438,556		25,764,225
12 February 2019	Share placement	60,000,000	0.05	3,000,000
8 March 2019	Part consideration to acquire interest in associate	50,000,000	0.05	2,500,000
	Share issue transaction costs			(124,383)
30 June 2019		<b>462,438,556</b>		<b>31,139,843</b>

\* Issue price rounded to two decimal places

**(c) Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

**(d) Shares in escrow**

There were no shares in escrow at 30 June 2019 (2018: nil).

**(e) Contributed equity**

During the year the company issued 147,541,522 (2018: 35,203,358) ordinary shares comprising:

[i] a pro-rata non-renounceable rights issue of fully paid ordinary shares at \$0.05 each offered on the basis of one (1) new share for every 2 shares held, together with one (1) free unlisted option for (exercisable at \$0.10 on or before 15 February 2019). Pursuant to this the company issued 37,541,522 (2018: 12,445) ordinary shares with capital raised \$1,877,076 and costs of \$5,706.

[ii] Placement of fully paid ordinary shares at \$0.05 each. Pursuant to this the company issued 60M (2018: 35,190,913) ordinary shares with capital raised of \$3,000,000 and costs of \$124,383. A further 50M shares was issued at \$0.05 each as part consideration for its interest in an associate.

**(f) Capital risk management**

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

# China Magnesium Corporation Limited and its subsidiaries

## Notes to Consolidated Financial Statements - 30 June 2019

### NOTE 7: CONTINGENCIES

CMC entered into a conditional Sale and Purchase Agreement (SPA) to sell its 91.25% interest in SYMC as announced to the ASX on 6 August 2019. The sale is subject to satisfying relevant conditions, which include shareholder approval for the disposal of the main undertaking, minority shareholder consent and PRC regulatory approvals. All relevant conditions are to be satisfied or waived by no later than 15 September 2019 or other dates as mutually agreed.

CMC has no ongoing liability post 30 June 2019 on the sale of SYMC.

### NOTE 8: COMMITMENTS

#### (a) Capital commitments

Capital commitments mainly relate to the environmental emission control cost estimates for the SYMC plant in the previous year. In view of the pending disposal of SYMC, there is no capital commitment.

#### (b) Mortgage Guarantee

Shanxi Yushun Magnesium Corporation Ltd (SYMC), a 91.25% owned subsidiary of China Magnesium Corporation Limited, has entered into two mortgage guarantee agreements which expired on 21 December 2018.

Both mortgage guarantees were in favour of Shanxi Pingyao Rural Commercial Bank Co. Ltd against registered mortgage with Pingyao Fengyan Coal & Coke Group Co Ltd. (Fengyan). The mortgage guarantee agreements are for the term 22 December 2015 to 21 December 2018 for up to RMB 26,100,000 (AUD \$5,220,000).

At the date of this report, neither SYMC nor the Company are aware of any renewal or act of default by Fengyan under the registered mortgages.

### NOTE 9: SUBSIDIARIES AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS (NCI)

#### Interests in subsidiaries

Information relating to the group's interests in principal subsidiaries at 30 June 2019 is set out below:

Name of entity	Country of incorporation	Group holding 2019 %	Group holding 2018 %	NCI holding 2019 %	NCI holding 2018 %
Shanxi Yushun Magnesium Corporation	China	91.25	91.25	8.75	8.75
CMC Commodities Pte Ltd	Singapore	100.00	100.00	0.00	0.00
Sovran Global Pte Ltd	Singapore	100.00	-	0.00	-
CMC Commodities Pty Ltd	Australia	100.00	100.00	0.00	0.00

Shanxi Yushun Magnesium Corporation (SYMC), is a Sino-foreign joint venture entity. CMC Commodities Pte Ltd and Sovran Global Pte Ltd are proprietary limited companies, incorporated in Singapore while CMC Commodities Pty Ltd is incorporated in Australia.

**China Magnesium Corporation Limited and its subsidiaries**  
**Notes to Consolidated Financial Statements - 30 June 2019**

**NOTE 9: SUBSIDIARIES AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS (NCI) (continued)**

**Disposal of SYMC**

As announced to the ASX on 6 August 2019, CMC has entered into a Sales and Purchase Agreement with Worldcom Parkway International Trade (Tianjin) Co. Ltd, to sell its 91.25% interest in SYMC, subject to all relevant conditions (including approval by CMC shareholders) being satisfied or waived by no later than 15 September 2019 (or other dates as mutually agreed) for RMB 1 million. Below is a proforma financial position of the Group as at 30 June 2019 after the disposal of SYMC.

	<b>Group (before 2019 impairment)</b>	<b>Group (before disposal/after impairment)</b>	<b>SYMC deconsolidation on disposal</b>	<b>Group (after disposal)</b>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	295,056	295,056	(118)	294,938
Trade and other receivables	4,303,576	1,716,439	(759,080)	957,359
Inventories	80,633	80,633	(80,633)	-
<b>Total Current Assets</b>	<b>4,679,265</b>	<b>2,092,128</b>	<b>(839,831)</b>	<b>1,252,297</b>
<b>Non-current assets</b>				
Prepayments	803,382	803,382	(162,621)	640,761
Property, plant and equipment	14,501,077	8,692,206	(8,528,356)	163,850
Right of use assets	381,490	381,490	-	381,490
Investment equity accounted associate	5,037,501	5,037,501	-	5,037,501
<b>Total Non-Current Assets</b>	<b>20,723,450</b>	<b>14,914,579</b>	<b>(8,690,977)</b>	<b>6,223,602</b>
<b>Total assets</b>	<b>25,402,715</b>	<b>17,006,707</b>	<b>(9,530,808)</b>	<b>7,475,899</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	2,095,006	2,095,006	(1,160,920)	934,086
Lease liabilities	147,866	147,866	-	147,866
Employee benefits	17,725	17,725	(4,431)	13,294
<b>Total Current Liabilities</b>	<b>2,260,597</b>	<b>2,260,597</b>	<b>(1,165,351)</b>	<b>1,095,246</b>
<b>Non-Current liabilities</b>				
Trade and other payables	6,652,483	6,652,483	(6,652,483)	-
Lease liabilities	248,975	248,975	-	248,975
Borrowings	1,712,974	1,712,974	(1,712,974)	-
<b>Total Non-Current Liabilities</b>	<b>8,614,432</b>	<b>8,614,432</b>	<b>(8,365,457)</b>	<b>248,975</b>
<b>Total liabilities</b>	<b>10,875,029</b>	<b>10,875,029</b>	<b>(9,530,808)</b>	<b>1,344,221</b>
<b>Net assets</b>	<b>14,527,686</b>	<b>6,131,678</b>	<b>-</b>	<b>6,131,678</b>
<b>EQUITY</b>				
Contributed equity	31,139,842	31,139,842	-	31,139,842
Reserves	3,447,917	3,447,917	(2,451,712)	996,205
Accumulated losses	(19,645,963)	(27,533,695)	1,529,326	(26,004,369)
<b>Total equity attributable to the owners</b>	<b>14,941,796</b>	<b>7,054,064</b>	<b>(922,386)</b>	<b>6,131,678</b>
Non-controlling interest	(414,110)	(922,386)	922,386	-
<b>Total equity</b>	<b>14,527,686</b>	<b>6,131,678</b>	<b>-</b>	<b>6,131,678</b>



**China Magnesium Corporation Limited and its subsidiaries**  
**Notes to Consolidated Financial Statements - 30 June 2019**

**NOTE 9: SUBSIDIARIES AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS (NCI) (continued)**

**Disposal of SYMC (continued)**

The SYMC magnesium plant has been affected by the uncertainties of the environmental control measures imposed by the Chinese authorities since 2017.

Hence, the consideration of \$207,658 (RMB 1M) negotiated in the conditional Sales and Purchase Agreement is reasonable after taking into account the recoverable amount. The impairment of \$5.8M shown in the Statement of Profit and Loss has been based on this consideration and booked into the Profit and Loss for the period 30 June 2019. This has been allocated to the Plant & Equipment in the pro forma financial position above, which reduces its carrying amount from \$14.5M to \$8.7M. Also, the Company impaired a receivable of \$2.6M (RMB 15M) in relation to a long outstanding amount.

**NOTE 10: EARNINGS PER SHARE**

	<b>2019</b>	<b>2018</b>
	<b>Cents</b>	<b>Cents</b>
Basic earnings / (loss) per share	(2.8)	(1.0)
Diluted earnings / (loss) per share	(2.8)	(1.0)
	<b>\$</b>	<b>\$</b>
Net loss for the year attributable to owners of the parent used to calculate loss per share – basic and diluted	(10,526,209)	(2,735,658)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares outstanding during the year used to calculate basic loss per share	375,613,273	280,568,625
Diluted earnings per share:- options over ordinary shares would decrease loss per share and provide antidilutive effect	-	-
Weighted average number of ordinary shares outstanding during the year used to calculate diluted loss per share	375,613,273	280,568,625

**NOTE 11: SUBSEQUENT EVENTS**

As announced to the ASX on 6 August 2019, CMC has entered into a Sales and Purchase Agreement with Worldcom Parkway International Trade (Tianjin) Co. Ltd, to sell its 91.25% interest in SYMC, subject to all relevant conditions (including approval by CMC shareholders) being satisfied or waived by no later than 15 September 2019 (or other dates as mutually agreed) for RMB 1 million. CMC has proceeded to next steps and relevant conditions to be satisfied are in progress.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.