



China Magnesium Corporation Ltd.

Appendix 4D

Name of Entity:	China Magnesium Corporation Limited
ABN:	14 125 236 731
Current Financial Period Ended:	Half-Year ended 31 December 2015
Previous Corresponding Reporting Period	Half-Year ended 31 December 2014

Results for Announcement to the Market

	Percentage change Up or Down	%		\$'000
Revenue from ordinary activities	Down	100%	to	2
Profit/(loss) from ordinary activities after tax attributable to members	Up	67%	to	(2,568)
Profit/(loss) for the period attributable to members	Up	67%	to	(2,568)

Dividends	Amount per Security	Franked amount per security
Interim 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)	December 2015	December 2014
Net Tangible Assets per security	\$0.05	\$0.07

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

No trading of magnesium, semi coke, metallurgical coke, tar oil or calcium metals occurred during the period, as world markets run down stockpiles in response to slowing economic conditions. CMC anticipates trading will reactivate in the June 2016 half as market conditions improve.

CMC did not produce from its Pingyao plant during this period pending completion of upgrade of FMW production line to produce pig iron and molten pig iron. (Refer ASX announcement 25 November 2015 – AGM Presentation)

The FMW ferro-nickel blast furnace was shut down and reconfigured to produce pig iron and subsequently upgraded to also deliver molten pig iron to customers Production is scheduled to recommence in late February 2016.

Compliance Statement

This report is based on the financial report that has been reviewed by our external auditors.



Tom Blackhurst
Managing Director
Southport QLD
25 February 2016



ABN 14 125 236 731

**Interim financial report
for the half-year ended 31 December
2015**

China Magnesium Corporation Limited ABN 14 125 236 731
Interim financial report – 31 December 2015

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Directors' report

Your directors present their report on the consolidated entity consisting of China Magnesium Corporation Limited (the Company) and the entities it controlled at the end of, or during, the half-year ended 31 December 2015.

Directors

The following persons were directors of the Company during the whole of the half-year and up to the date of this report:

W Bass	T Blackhurst
P Robertson	X Liang

Review of operations

During the half-year:-

- CMC completed successful conversion of remaining semi-coke crackers from coal-to-gas units
- No trading of magnesium, semi coke, metallurgical coke, tar oil or calcium metals occurred during the period, as world markets run down stockpiles in response to slowing economic conditions. CMC anticipates trading will reactivate in the June 2016 half as market conditions improve.
- CMC did not produce from its Pingyao plant during this period pending completion of upgrade of FMW production line to produce pig iron and molten pig iron. (Refer ASX announcement 25 November 2015 – AGM Presentation)
- The FMW ferro-nickel blast furnace was shut down and reconfigured to produce pig iron and subsequently upgraded to also deliver molten pig iron to customers. Production is scheduled to recommence in late February 2016.
- CMC has entered into a conditional agreement with Taiyuan Hailifeng Science & Technology Co. Ltd. (“Hailifeng”) to lease the existing business and production facilities of G1 & G3 in the Taiyuan High-tech Industrial Development Zone for 20 years from 1 March 2016, including exclusive access to a number of patents and technical documents owned by Hailifeng.
- CMC is well advanced in securing a 20 year lease for a second plant in Shandong. The plant produces Magnesium Nitrate, Barium Nitrate, Sodium Nitrate, Calcium Ammonium Nitrate and Calcium Nitrate.

Results

For the half-year ended 31 December 2015 the consolidated entity recorded a loss after tax from continuing operations of \$2,615,966 (2014: loss of \$1,570,268) and total comprehensive loss of \$2,437,981 (2014: comprehensive income: \$447,986).

Dividends

No dividends were paid during the period and no recommendation is made as to the payment of dividends.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 14.

This report is made in accordance with a resolution of directors.



Tom Blackhurst
Managing Director
Southport
25 February 2016

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of China Magnesium Corporation Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 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.

ShineWing Australia

ShineWing Australia
Chartered Accountants



Nick Michael
Partner

Melbourne, 25 February 2016

Consolidated statement of comprehensive income for the half-year ended 31 December 2015

	Note	Consolidated Half-year ended	
		31 Dec 2015 \$	31 Dec 2014 \$
Revenue from continuing operations	4	2,431	11,362,274
Share of profit/(losses) from contractual arrangement		(1,288,607)	-
Expenses			
Purchases of raw materials and consumables	5	-	(11,545,136)
Auditing and accounting		(60,346)	(35,765)
Consulting fees		-	(24,322)
Depreciation and amortisation		(185,803)	(113,453)
Employee benefits		(589,306)	(925,258)
Finance costs		(278,619)	(43,736)
Other		(155,031)	(158,531)
Exchange (loss)/gain		(34,542)	(50,876)
Travel		(26,143)	(35,465)
		<u>(1,329,790)</u>	<u>(12,932,542)</u>
Loss before income tax		<u>(2,615,966)</u>	<u>(1,570,268)</u>
Income tax		-	-
Loss after tax from continuing operations		<u>(2,615,966)</u>	<u>(1,570,268)</u>
Other comprehensive income			
Items that will be reclassified to profit and loss			
Foreign currency translation differences		177,985	2,018,254
Income tax on items of other comprehensive income		-	-
Other comprehensive income for the period (net of tax)		<u>177,985</u>	<u>2,018,254</u>
Total comprehensive income / (loss) for the period		<u>(2,437,981)</u>	<u>447,986</u>
Loss for the period is attributable to:			
Owners of the parent		(2,568,406)	(1,534,257)
Non-controlling interests		(47,560)	(36,011)
		<u>(2,615,966)</u>	<u>(1,570,268)</u>
Total comprehensive income / (loss) for the period is attributable to:			
Owners of the parent		(2,404,366)	375,375
Non-controlling interests		(33,615)	72,611
		<u>(2,437,981)</u>	<u>447,986</u>
Earnings per share			
Basic and diluted earnings/(loss) per share (cents per share)		(1.3)	(0.8)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position as at 31 December 2015

		Consolidated	
	Note	31 Dec 2015	30 June 2015
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		2,693,312	3,314,681
Trade and other receivables		983,529	1,024,222
Inventories		261,814	289,608
Other		155,559	100,156
Total Current Assets		<u>4,094,214</u>	<u>4,728,667</u>
Non-current assets			
Other		2,276,709	2,283,441
Property, plant and equipment		17,082,970	16,724,342
Total Non-Current Assets		<u>19,359,679</u>	<u>19,007,783</u>
Total assets		<u>23,453,893</u>	<u>23,736,450</u>
LIABILITIES			
Current liabilities			
Trade and other payables		3,474,456	3,987,909
Provisions		718,818	29,159
Total Current Liabilities		<u>4,193,274</u>	<u>4,017,059</u>
Non-current liabilities			
Share of losses from contractual arrangements		1,772,489	483,882
Trade and other payables		4,561,745	3,850,257
Borrowings		1,057,500	1,064,000
Total non-current liabilities		<u>7,391,734</u>	<u>5,398,139</u>
Total liabilities		<u>11,585,008</u>	<u>9,415,198</u>
Net assets		<u>11,868,885</u>	<u>14,321,252</u>
EQUITY			
Contributed equity	3	21,109,871	21,124,258
Reserves		4,656,309	4,492,269
Accumulated losses		(14,265,902)	(11,697,496)
Total equity attributable to owners of the parent		<u>11,500,278</u>	<u>13,919,031</u>
Non-controlling interest		368,607	402,221
Total equity		<u>11,868,885</u>	<u>14,321,252</u>

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

Consolidated statement of changes in equity for the half-year ended 31 December 2015

	Contributed equity \$	Accumulated losses \$	Foreign currency translation reserve \$	Change of interest in subsidiary reserve \$	Total \$	Non- controlling interest \$	Total equity \$
At 1 July 2014	20,114,724	(8,441,852)	1,101,134	518,930	13,292,936	443,841	13,736,777
Loss for the half-year	-	(1,534,257)	-	-	(1,534,257)	(36,011)	(1,570,268)
Other comprehensive income:							
Foreign currency translation difference	-	-	1,909,632	-	1,909,632	108,622	2,018,254
Total comprehensive income for the half- year	-	(1,534,257)	1,909,632	-	375,375	72,611	447,986
Transactions with owners in their capacity as owners							
Issue of shares	1,006,077	-	-	-	1,006,077	-	1,006,077
Cost of share issues	(2,768)	-	-	-	(2,768)	-	(2,768)
At 31 December 2014	21,118,033	(9,976,109)	3,010,766	518,930	14,671,620	516,452	15,188,073
At 1 July 2015	21,124,258	(11,697,496)	3,973,339	518,930	13,919,031	402,221	14,321,252
Loss for the half-year	-	(2,568,406)	-	-	(2,568,406)	(47,560)	(2,615,966)
Other comprehensive income:							
Foreign currency translation difference	-	-	164,040	-	164,040	13,945	177,985
Total comprehensive income for the half- year	-	(2,568,406)	164,040	-	(2,404,366)	(33,615)	(2,437,981)
Transactions with owners in their capacity as owners							
Share buyback	(14,264)	-	-	-	(14,264)	-	(14,264)
Cost-share buyback	(123)	-	-	-	(123)	-	(123)
At 31 December 2015	21,109,871	(14,265,902)	4,137,379	518,930	11,500,278	368,607	11,868,885

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

Consolidated statement of cash flows for the half-year ended 31 December 2015

	Consolidated	
	Half-year ended	
	31 Dec 2015	31 Dec 2014
	\$	\$
Cash flows from operating activities		
Receipts from customers	-	12,949,956
Payments to suppliers and employees	(691,307)	(10,961,368)
Interest received	2,431	6,769
Interest and other costs of finance paid	(276,605)	(1,311)
Net cash inflow/(outflow) from operating activities	<u>(965,481)</u>	<u>1,994,047</u>
Cash flows from investing activities		
Purchase of plant and equipment	(406,693)	(1,235,543)
Net cash inflow/(outflow) from investing activities	<u>(406,693)</u>	<u>(1,235,543)</u>
Cash flows from financing activities		
Proceeds from issue of shares	-	1,010,278
Share issue costs	(123)	(2,768)
Share buyback	(14,264)	(4,200)
Proceeds from borrowings	-	-
Net cash inflow/(outflow) from financing activities	<u>(14,387)</u>	<u>1,003,310</u>
Net decrease in cash and cash equivalents	(1,386,561)	1,761,814
Cash and cash equivalents at the beginning of the period	3,314,681	1,504,896
Effects of exchange rate changes on the balances of cash held in foreign currencies	765,192	102,599
Cash and cash equivalents at the end of the period	<u><u>2,693,312</u></u>	<u><u>3,369,309</u></u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant 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 report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and any public announcements made by China Magnesium Corporation Limited (the company) during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. The fair value of the consolidated entity's financial assets and liabilities approximate their carrying value.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2015 annual financial report. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period. The adoption of these new and revised Standards and Interpretations did not have any material financial impact on the amounts recognised in the financial statements of the Group for the current or prior periods.

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business. The Group incurred a net loss of \$2,615,966 and an operating cash outflow of \$965,481 for the six month period ended 31 December 2015. At that date the Group had a net current asset position of \$2,177,649.

Included in net current assets are prepaid capital expenditure of \$2,364,510 and VAT receivable of \$847,816 that will only be recovered once the Group generates sufficient income in China.

The Group also has capital commitments of \$1,267,544 in relation to its Pingyao operations.

The Directors note:-

- under the Investment and Co-operation agreement with Shanxi Pingyao Fengyan Coal & Coke Group Company Limited ("Fengyan"), Fengyan have agreed to provide sufficient working capital for CMC's 91.25% owned joint venture company Shanxi Yushun Magnesium Company Limited which delivers substantially all Pingyao operational production;
- the successful 1:453668 rights issue for 25,256,154 ordinary shares on 8 October 2015 which raised \$1,003,310 after costs. On exercise of the 7 cent options in October 2016 up to \$1.8M could be raised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**1. Significant accounting policies (continued)**

- under the Co-operation Agreement with Pingyao County Fenyang Mineral Wool Co. Ltd. ("FMW") for the marketing and distribution of magnesium, coke and other industrial products, FMW has agreed to offer working capital support to the CMC Group to supplement existing facilities and enable the CMC Group to effect its production plan. Under the Co-operation Agreement CMC holds 3 of the 5 seats on the Board of FMW and has a 60% interest in the total turnover/profit of FMW.
- under a Fine Chemicals/Fertiliser Agreement with Taiyuan Hailifeng Science & Technology Co. Ltd. ("Hailifeng"), Hailifeng have agreed to provide working capital required for existing and forward production for production of chemicals and fertilisers including G3 & G1.

Having considered all of the above factors, the Directors are of the opinion that the use of the going concern basis of accounting is appropriate as they are satisfied that the Group will be able to generate sufficient cash flows, rely on the financial support as detailed, and rely on the continued financial support of its creditors.

2. Segment reporting

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 makers) 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, semi-coke, metallurgical coke, calcium metals and tar oil. There have been no changes in the operating segments during the half-year. All significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the consolidated entity.

3. Contributed equity

During the half-year the company issued nil ordinary shares (2015: 25,256,154 ordinary shares at 4 cents per share with capital raised \$1,010,246, costs \$2,768). This was accompanied with 25,256,154 listed options issued at 7 cents, out of which 400,449 have been exercised.

4. Contingencies and Commitments

There were no changes in the contingent liabilities or contingent assets since the end of the last annual reporting period.

5. Pingyao County Fengyan Mineral Wool Co. Ltd. (FMW)

The Company's wholly owned subsidiary executed and commenced a Co-Operation Agreement with Pingyao County Fengyan Mineral Wool Co. Ltd. (FMW) effective from 1 February 2015.

FMW is an established and profitable medium sized metallurgy company. It can produce up to 150,000 tpa of ferronickel, and used waste slag from this production to produce mineral (rock) wool and mineral wool acoustic board products, amongst others. FMW currently purchases all CMC semi-coke production. Any external ferronickel requirements including recycling and production of retorts used in the magnesium production operation are supplied by FMW to CMC.

Under the Agreement CMC has

- [i] a 60% economic interest in the business of FMW (revenues, costs and ultimately profit or loss)
- [ii] control of a majority of the FMW board seats; and
- [iii] responsibility for the management of FMW's business.

6. Events subsequent to half year

CMC has entered into a conditional agreement with Taiyuan Hailifeng Science & Technology Co. Ltd. (“Hailifeng”) to lease the existing business and production facilities of G1 & G3 in the Taiyuan High-tech Industrial Development Zone for 20 years from 1 March 2016. The Agreement also provides for CMC to acquire exclusive access to a number of patents and technical documents owned by Hailifeng.

In consideration of the head leases, production facilities and goodwill of the business, CMC will issue 10M shares at the VWAP of the previous 5 days.

CMC is well advanced in securing a 20 year lease for a second plant in Shandong. The plant produces Magnesium Nitrate, Barium Nitrate, Sodium Nitrate, Calcium Ammonium Nitrate and Calcium Nitrate.

As the initial accounting for the financial consequences of the Agreement are not complete CMC is not in a position to make disclosures pursuant to relevant accounting standards.

Directors' declaration

In the opinion of the directors:

- (a) The attached financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including: 11
- i) Giving a true and fair view of the financial position as at 31 December 2015 and the performance for the half-year ended on that date of the consolidated entity: and
 - ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Tom Blackhurst
Managing Director

Southport
25 February 2016

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CHINA MAGNESIUM CORPORATION LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of China Magnesium Corporation Limited and controlled entities (the "consolidated entity") which comprises the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of China Magnesium Corporation Limited ("the company") are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 Auditing Standard ASRE 2410: *Review of a 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 half-year financial report is not prepared, in all material aspects, in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. As the auditor of China Magnesium Corporation 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

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*, which has been given to the directors of China Magnesium Corporation Limited, would be on the same terms as provided to the directors at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of China Magnesium Corporation Limited and controlled entities is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

ShineWing Australia

ShineWing Australia
Chartered Accountants



Nick Michael
Partner

Melbourne, 25 February 2016