



(previously China Magnesium Corporation Limited)

ABN 14 125 236 731

Annual Report  
For the year ended 30 June 2020

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That Corporate Governance statement can be found at [www.sovranwhite.com](http://www.sovranwhite.com) under Investor Centre.

## Commentary on Results

Refer attached Chief Executive Officer's report.

## Dividends

No dividends were paid or declared during the period ended 30 June 2020.

## Compliance Statement

This report is based on the financial report that have been audited by our external auditors.



Jin Thean (Jason) Teoh  
Chief Executive Officer

Date: 16 December 2020

# **Sovran White International Limited (previously China Magnesium Corporation Limited) Chief Executive Officer's Report – 30 June 2020**

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Dear Shareholders

During the financial year, the Group faced a challenging period and has been affected by circumstances caused by the Covid-19. However, we will continue to maintain the momentum as we aim to navigate the Group into new beginnings.

## **Financial summary**

The Group has recorded a net loss after tax for the period at around \$1.7M compared with the loss of \$12.2M in the prior year. This is slightly more than the \$1,635K net loss in the unaudited financial statements reported on 31 August 2020 as it now include an impairment of investment in CMC Lithium Pty Ltd of \$140K, based on the potential impairment on the carrying value of the tenements value if the Associate decides not to continue with the exploration activities for the current tenements valued at \$700K.

During the year, the revenue recorded has decreased as compared with the prior period, as no commodity trades had taken place mainly due to circumstances caused by Covid-19. The lower loss for the period at around \$1.7M (compared to a loss of \$12.2M in the prior period) is mainly attributable to (i) the ongoing cost containment exercise this period; (ii) significant impairments of around \$9.2M in total in the prior period (in relation to impairment allocated to SYMC's net assets and the impairment of one-off receivable in the prior period in relation to a financial asset and expected credit loss for a few receivables).

## **Pingyao update**

As announced to the ASX on 6 August 2019, the Company has entered into a Sales and Purchase Agreement with Worldcom Parkway International Trade (Tianjin) Co. Ltd, to sell its 91.25% interest in SYMC for RMB 1 million, subject to all relevant conditions being satisfied. This sale was approved by shareholders at the general meeting held on 23 October 2019. The parties have not yet agreed to an extension to meeting the conditions of sale of the Pingyao plant. The parties are still in contact, but things have been delayed as a result of the Covid-19 and the parties are unsure as to the timeline in which a sale is possible given the current climate. As an alternative, the Company may explore other buyers.

## **Lithium tenements**

Based on recommendations by the geologists engaged by CMC Lithium Pty Ltd (CMCL), this 40% Associate is considering a potential joint venture (JV) over a new tenement (also for lithium), which is located near the existing two tenements in Greenbushes Western Australia. The new tenement is still under application with the Western Australia Department of Mines, Industry Regulation and Safety (DMIRS). Based on our understanding, the potential JV partners are currently working on a non-binding heads of agreement and not in a position to disclose further details. In view of the aforesaid potential JV, the current project has been on hold. Relevant updates of any further developments will be made in due course.

## **Orchard & Plantation Project Joint Venture**

From the existing high-level agreement for the Orchard & Plantation project joint venture, further discussions between the relevant contracting parties in respect of the detailed terms of services and ancillary facilities for the distribution of agricultural products have been affected by circumstances caused by Covid-19. The Board has been advised that the situation has yet to be resolved and further negotiations have been put on hold until factors such as the commercial and economic feasibility of the project can be reassessed by the parties in a post Covid-19 climate.

## **Commodities and General Trading**

The Group business of international trading of commodities has been affected by the circumstances caused by Covid-19. Nevertheless, we anticipate overall trading activities to improve in a post Covid-19 climate.

## **Working capital and Placements**

During the year, the Company issued 43,333,332 ordinary shares at 0.03 cents per share, raising a total of \$1.3m in cash before costs.

## **Sovran White International Limited (previously China Magnesium Corporation Limited) Chief Executive Officer's Report – 30 June 2020**

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### **Going concern**

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

- a) the completion of sale of its interest in SYMC;
- b) expected access to further funding;
- c) management services revenue commencing from the plantation associate;
- d) expected cashflow and profits arising from general trading operations.

The directors concluded the circumstances surrounding the above assumptions represent a material uncertainty that casts significant doubt 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. Nevertheless, after considering the uncertainties above, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For those reasons, they continue to adopt the going concern basis in preparing the financial report.

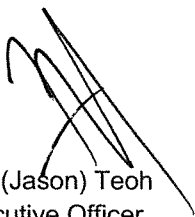
### **Board appointment**

On 11 June 2020, Mr Kwang Meng (Alvin) Tan was appointed as Non-Executive Director of the Company.

### **Looking forward**

Following shareholder approval at the general meeting held on 8 July 2020, the Company has proceeded with the resolutions passed. Besides the change of its name to Sovran White International Limited (SWI) effective 20 July 2020, the Company is in the midst of progressing the approval of its intended listing on the Sydney Stock Exchange (SSX).

Yours sincerely,



Jin Thean (Jason) Teoh  
Chief Executive Officer

# **Sovran White International Limited (previously China Magnesium Corporation Limited - Directors' Report – 30 June 2020**

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The Directors present their report, together with the consolidated financial statements of the Group, comprising Sovran White International Limited ('SWI' or 'the Company'), and its controlled entities ('Group') for the financial year ended 30 June 2020 and the auditor's report thereon.

## **Directors**

The names and details of the Directors in office during or since the end of the financial year are as follows. Directors were in office for the entire year unless otherwise stated.

### **Jin Thean (Jason) Teoh - Executive Director / CEO**

Appointed since 29 January 2019.

Mr Teoh has almost 30 years working experience in the investment, financial advisory, mergers & acquisitions and corporate business fields. He holds a Bachelor of Commerce degree from the University of Canterbury, New Zealand and is a qualified Chartered Accountant and a member of the Institute of Singapore Chartered Accountants (ISCA).

Mr Teoh is a highly experienced executive at international level. He has proven strengths in finance, marketing, business development and strategic planning, with vast experience as a director in numerous companies (both public and private) across a multitude of industries, including engineering, retail, finance and property development. Mr Teoh also brings a deep understanding of the opportunities and challenges that exist for the Company and industry, with a track record of managing change and building high performance companies. He was previously CEO and Executive Director of SGX listed manufacturer and retailer, Lorenzo International Limited. He ceased to be a Director of Lorenzo International Limited on 25 October 2017.

### **Xinping Liang BEng, MEng – Executive Director / Chief Operating Officer**

Appointed since 4 May 2007 – resigned 29 November 2019

Mr Liang is a Chinese engineer with more than 25 years of experience in international project and corporate development; mainly focussing on infrastructure assets, heavy industries, renewable energies such as solar and wind power and supporting technologies for those industries. He has extensive senior executive experience in project evaluation, financial analysis and project/business development for numerous private, public and state owned enterprises in Asia (particularly China and Singapore), Australia, Canada, USA and the UK.

Mr Liang grew up in Pingyao and introduced the opportunity to its Chinese joint venture partners in January 2007, which led to him co-founding the Company in May 2007 with Messrs. Blackhurst, Ming Li and Guicheng Jia.

He has not served as a director of any other listed company during the past three years.

### **Marcelo Mora – Non Executive Director**

Appointed since 26 February 2019 – resigned 29 November 2019

Marcelo Mora holds a Bachelor of Business degree from the University of Western Sydney (UWS) and a Graduate Diploma of Applied Corporate Governance. Mr Mora has been an accountant for more than 30 years and has experience in resources and mining companies both in Australia and internationally, providing financial reporting and company secretarial services to a range of publicly listed companies. Marcelo was also the Company Secretary of China Magnesium Corporation Limited and a Non Executive Director of public listed company GPS Alliance Holdings Limited.

# **Sovran White International Limited (previously China Magnesium Corporation Limited - Directors' Report – 30 June 2020**

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## **Antony Roy Tolfts – Non Executive Director**

Appointed since 18 March 2019 – resigned 4 February 2020

Antony is the primary contact for all exchange related matters at the Sydney Stock Exchange. He has over 17 years of financial services experience. Prior to the SSX, Antony worked in Computershare (Sydney), Barclays Private Bank (London) and HSBC (Global Projects).

Antony was previously also a Non-Executive Director of ShengQuan Aged Care Service. He has a Master in Business Administration, was a certified Project Management Professional (PMP), and holds a Bachelor of Commerce. He is an affiliate of the Australian Institute of Company Directors.

## **Kah Chai (Peter) Tay – Executive Director**

Appointed since 29 November 2019

Peter is an experienced finance professional with exposures to international environments in multinationals, including a big four accounting firm, over 30 years. He is a member of the Chartered Accountants Australia and New Zealand (CAANZ) and has broad commercial and finance knowledge in various industries which include manufacturing, distribution of FMCG, agribusiness, healthcare and technology.

He has not served as a director of any other listed company during the past three years.

## **Kwang Meng (Alvin) Tan – Non Executive Director**

Appointed since 11 June 2020

Mr Tan has over 15 years of combined professional services and management experience. He was the Group Corporate Finance Director for Nipsea Group, one of Asia's largest paint and coating company with operations in over 16 countries since 2010. Prior to that, he was the Vice President of Titan Capital, a boutique Private Equity and Financial Advisory firm in Singapore from 2007 to 2010, focusing on originating, underwriting and structuring investment deals in the Asia-Pacific region. Mr Tan also worked as a Senior Corporate Finance Associate in both KPMG and Ernst & Young performing on financial modelling analysis, bid and debt financing advisory, valuations and fund-raising roles in the project finance and public/private partnership sectors. He also worked in ABN AMRO's M&A and equity capital markets execution team as an Analyst as well as JP Morgan Chase as a Research Analyst where he first started his career at. Mr. Tan has experience serving on the board of both public and private companies. He was a Non-Executive Director of Auralite Investments Inc (TSX-V) (recently change of name to Myconic Capital Corp) until his resignation on 27 May 2020. He was also a Non-Executive Director of XPD Soccer Gear Limited (ASX:XPD) until his resignation on 25 October 2017.

## **Company secretary**

### **Marcelo Mora**

Since 26 February 2019 – resigned 29 November 2019

### **Antony Roy Tolfts**

Since 29 November 2019 – resigned 4 February 2020

### **Kah Chai (Peter) Tay**

Since 5 February 2020

## Sovran White International Limited (previously China Magnesium Corporation Limited) - Directors' Report – 30 June 2020

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### Meetings of directors

Having regard to the size of the Group, the current activities, the composition and structure of the Board, the full Board has the responsibilities for and performs the functions of the Audit Committee and Nomination/Remuneration Committee. The numbers of meetings of the Company's Board of Directors and matters relating to each Board Committee held during the year ended 30 June 2020, and the number of meetings attended by each director were:

	A	B	C	D	E	F
Jason Teoh	11	11	2	2	2	2
X Liang	2	4	1	1	-	1
M Mora	4	4	1	1	1	1
A Tolfts	5	5	1	1	1	1
Peter Tay	7	7	1	1	1	1
Alvin Tan	-	-	-	-	-	-

A: Director Meetings attended

B: Director Meetings held during the year

C: Audit Committee matters attended

D: Audit Committee matters addressed by the full Board during the year

E: Nomination/Remuneration Committee matters attended

F: Nomination/Remuneration Committee matters addressed by the full Board during the year



# Sovran White International Limited (previously China Magnesium Corporation Limited) - Directors' Report – 30 June 2020

## Principal activities

The principal activities of the Group during the year were relating to the international trading of commodities.

## Financial Results

The consolidated loss after income tax attributable to members of the Company for the year was \$1,747,745 (2019: \$12,229,130 loss). This is slightly more than the \$1,635K net loss in the unaudited financial statements reported on 31 August 2020 as it now include an impairment of investment in CMC Lithium Pty Ltd of \$140K, based on the potential impairment on the carrying value of the tenements value if the Associate decides not to continue with the exploration activities for the current tenements valued at \$700K.

## Dividends

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

## Review of operations and financial position

The Group's financial results for the financial year ended 30 June 2020 are set out in the financial statements following page 14 of this annual report. Significant results include:

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Revenues</b>	61,881	1,276,269
<b>Net (loss) before tax</b>	(1,747,745)	(12,229,130)
<b>Net (loss) after tax</b>	(1,747,745)	(12,229,130)

During the year the Group has recorded a net loss after tax at around \$1.7M compared with the loss of \$12.2M in the prior year.

The operations of the Group during the period include:

- The parties have not yet agreed to an extension to meeting the conditions of sale of the Pingyao plant. The parties are still in contact, but things have been delayed as a result of the Covid-19 and the parties are unsure as to the timeline in which a sale is possible given the current climate. As an alternative, the Company may explore other buyers.
- The international trading of commodities has been affected by the circumstances caused by Covid-19. Nevertheless, we anticipate overall trading activities to improve in a post Covid-19 climate.
- The Company's associate, CMC Lithium Pty Ltd is considering a potential joint venture (JV) over a new tenement (also for lithium), which is located near the existing two tenements in Greenbushes Western Australia. In view of the aforesaid potential JV, the current project has been put on hold; and
- From the existing high-level agreement for the Orchard and Plantation project, further discussions between the contracting parties in respect of the detailed terms of services and ancillary facilities for distribution of agricultural products have been affected by the circumstances caused by Covid-19.

The Group earned \$5,000 monthly administrative fee from Sovran White (Singapore) Logistics Company Pte Ltd (21.43% - Associate) during the period.

Further information on the operations and financial position of the Group and its business strategies and prospects is set out in the CEO's Report on pages 2 - 3 of this annual report.

## **Changes in the state of affairs**

In the opinion of the Directors, significant changes in the state of affairs of the Group that occurred during the year ended 30 June 2020 were as follows:

- In August 2019, the Company announced share placements to a professional and sophisticated investor at an issue price of \$0.03 per share. A total of 9,999,999 shares were issued, raising up to \$300,000 in cash before costs.
- In November 2019, the Company announced share placements to another professional and sophisticated investor at an issue price of \$0.03 per share. A total of 33,333,333 shares were issued, raising up to \$1,000,000 in cash before costs.
- On 29 November 2019, Mr Marcelo Mora resigned as Non-Executive Director and Company Secretary of the Company and on the same date, Mr Peter Tay was appointed as an Executive Director while Mr Antony Tolfts was appointed as the Company Secretary of the Company.
- On 4 February 2020, Mr Antony Tolfts resigned as Non-Executive Director and Company Secretary of the Company and Mr Peter Tay was appointed as the Company Secretary.
- On 18 May 2020, the Company announced that the Company had submitted an application to be removed from the official list of ASX and contemporaneously, is considering a listing on the Sydney Stock Exchange (SSX). On 8 July 2020, all resolutions put to the shareholders as set out in the Notice of Meeting (announced on 9 June 2020) were approved.
- On 11 June 2020, Mr Kwang Meng (Alvin) Tan was appointed as the Non-Executive Director of the Company.

## **Events subsequent to the end of the financial year**

Following shareholders approval at the general meeting held on 8 July 2020, the Company is in the midst of progressing the approval of its intended listing on the Sydney Stock Exchange (SSX).

No other matters or circumstances have arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

## **Likely developments and expected results of operations**

The Company anticipate overall commodities trading to improve in a post Covid-19 climate.

Additional comments on expected results of certain operations including going concern assessment of the Company are included in this annual report under the CEO's Report on pages 2 – 3 of this annual report.

## **Environmental regulation**

Please refer to the CEO report for the status of the disposal of the Pingyao plant.

## **Remuneration report - Audited**

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

This Remuneration Report sets out remuneration information for the Group's key management personnel.

# Sovran White International Limited (previously China Magnesium Corporation Limited) - Directors' Report – 30 June 2020

## Principles used to determine the nature and amount of remuneration

The performance of the Group depends on the quality of its directors and executives. Accordingly, the Board's policy for determining the nature and amount of remuneration of key management personnel of the Company and the Group is designed to;

- Maintain the ability to attract and retain senior executives and directors;
- Avoid paying excessive remuneration;
- Remunerate fairly having regard to market conditions and individual contribution; and
- Align the interests of employees and directors with that of the Company and the Group as much as possible.

Having regard to the size of the Group and the small number of Directors, the full Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. Consideration is given to normal commercial rates of remuneration for similar levels of responsibility, and the Company's financial performance.

Emoluments comprise the following:

- Base pay (salaries/fees) and benefits, including superannuation
- Short-term incentives (bonuses); and
- Long-term (including critical acquisition) incentives including shares.

There were no changes to the remuneration levels of all key management personnel since the previous financial year. Michael ET Chan is considered to be key management personnel and he provides a great deal of advice with respect to the Company's strategic direction and decision making. The Company is party to a consultancy deed between it, Happyland World Pte. Ltd. and Michael ET Chan for 36 months from 1 April 2019.

The Company's share price on listing was \$0.25 per share, which equated to a market capitalisation of \$31.8 million. At 30 June 2020 the share remained suspended at the price of \$0.011 (2019: \$0.011), representing a market capitalisation of \$5.0 million (2019 : \$5.0 million). There has been no share-based remuneration.

Year	2015	2016	2017	2018	2019	2020
Share price at year end	0.045	0.015	0.011	0.019	0.011	0.011
Net (loss) \$'000	(3,325)	(2,022)	(987)	(3,100)	(12,229)	(1,747)
EPS	(1.7)	(1.1)	(0.3)	(1.0)	(3.1)	(0.4)
Dividend	-	-	-	-	-	-

## Directors' fees

Non-executive directors' fees and payments reflect the demands made on, and the responsibilities of, the non-executive directors. The fees are determined within a pool limit, which is periodically reviewed and proposed changes recommended for approval by shareholders. The pool is currently limited to \$200,000 per annum. Non-executive directors do not receive performance-based pay. There are no retirement allowances for non-executive directors.

## Executive pay and benefits

Executive payments currently consist of consultancy payments and also base salary plus statutory superannuation. Base pay is structured as a total employment package which may be delivered as a combination of prescribed non-financial benefits at the executives' discretion. There are no guaranteed base pay increases in any executives' contracts.

Throughout the year all remuneration for key management personnel was fixed and not linked to performance. There were no cash bonus, performance related bonus, non-monetary benefits or share-based elements of remuneration in the year ended 30 June 2020 (2019 - Nil).

# Sovran White International Limited (previously China Magnesium Corporation Limited - Directors' Report – 30 June 2020

## Remuneration report – Audited (Continued)

### Details of remuneration

2020

Name	Short term benefits		Post-employment benefits			Total
	Cash Salary and fees	Other	Super-annuation	Long Term Benefits	Termination Benefits	
	\$	\$	\$	\$	\$	\$
<b>Non-executive directors</b>						
Marcelo Mora	21,875	-	-	-	-	21,875
Antony Tolfts	28,552	-	2,712	-	-	31,264
Alvin KM Tan*	2,057	-	-	-	-	2,057
<b>Executive directors</b>						
Jason JT Teoh	240,000	-	-	-	-	240,000
Peter KC Tay**	93,607	-	8,893	-	-	102,500
<b>Other key management personnel</b>						
Michael ET Chan ***	300,000	-	-	-	-	300,000
<b>Total</b>	<b>686,091</b>	<b>-</b>	<b>11,605</b>	<b>-</b>	<b>-</b>	<b>697,696</b>

\*Effective 11 June 2020, Alvin KM Tan entered into a Consulting Agreement with the Company through Neonlite Pte Ltd at annual fee of S\$36,000.

\*\* The Company is party to an employment contract with Peter KC Tay for his role as the financial comptroller dated 1 January 2019. Effective 29 November 2019, he was appointed as an executive director. The employment contract ('1 January 2019') remains on foot.

\*\*\* Michael Chan entered into a Consulting Agreement dated 1 April 2019 with the Company through Happyland World Pte Ltd for 3 years at base annual salary of \$300,000.

Marcelo Mora resigned as non-executive director and company secretary on 29 November 2019 while Antony Tolfts resigned as non-executive director and company secretary on 4 February 2020.

2019

Name	Short term benefits		Post-employment benefits			Total
	Cash Salary and fees	Other	Super-annuation	Long Term Benefits	Termination Benefits	
	\$	\$	\$	\$	\$	\$
<b>Non-executive directors</b>						
Marcelo Mora	17,932	-	-	-	-	17,932
Antony Tolfts	13,839	-	1,315	-	-	15,154
W Bass *	95,890	-	9,110	-	-	105,000
P Robertson	27,319	-	2,595	-	-	29,914
<b>Executive directors</b>						
T Blackhurst *	296,042	-	-	-	-	296,042
X Liang	274,167	-	-	-	-	274,167
Jason JT Teoh	129,165	-	-	-	-	129,165
<b>Other key management personnel</b>						
Michael ET Chan	75,000	-	-	-	-	75,000
<b>Total</b>	<b>929,354</b>	<b>-</b>	<b>13,020</b>	<b>-</b>	<b>-</b>	<b>942,374</b>

\*Subsequent to retirement/resignation, these directors provided some consultancy services to the Company.

## Service agreements

On appointment to the Board, all non-executive directors sign a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director. Remuneration and other terms of engagement for the Executive Directors are also formalised in service agreements as follows:

# Sovran White International Limited (previously China Magnesium Corporation Limited) - Directors' Report – 30 June 2020

## Remuneration report – Audited (Continued)

Name	Term of agreement	Base salary / consulting fee including any superannuation	Termination benefit *
Jason JT Teoh <i>Executive Director /CEO</i>	Consulting for 3 years commencing 28 January 2019 and concluding 31 January 2022. -Santa Fei Investment on 28 January – 31 March 2019 -Assignment through Xoro Capital Pte Ltd from 1 April 2019 Bonus per Remuneration Committee approval of: Short term incentive: 0 – 40% Long term incentive: 0 – 90% Critical acquisition: 0 – 60% Subject to non-solicitation and non-compete clauses.	\$240,000	12 months' fee
Peter KC Tay <i>Executive Director</i>	Employment contract dated 1 January 2019	\$102,500	12 months' salary

\*Termination benefits are payable on early termination by the Company, other than for cause.

## Equity instrument disclosures relating to key management personnel

### Movement in Share holdings

The number of shares in the parent entity held during the financial year by each director and other key management personnel of the Group, including their personally related parties, are set out below. None of these share holdings are held nominally. There were no shares granted during the reporting year as compensation (2019: Nil).

Key management personnel	Held at 30 June 2019	Purchases	Sales	Other	Held at 30 June 2020
X Liang *	34,435,730	-	-	(34,435,730)	-
Peter Tay **	-	20,000	-	-	20,000
Jason Teoh	-	-	-	-	-
Marcelo Mora	-	-	-	-	-
Antony Tolfts	-	-	-	-	-
Alvin Tan	-	-	-	-	-
Mr ET Chan **	50,460,000	-	-	-	50,460,000

\* Number of shares held at date of resignation as a Director.

\*\* Michael ET Chan's deemed holding of 50,000,000 via 50% shareholding in Sovran White International Pte Ltd. When he became KMP on 1 April 2019, 460,000 shares were held by him.

\*\* When Peter Tay became KMP on 29 November 2019, 20,000 shares were held by him.

There were no options granted during the reporting year as compensation (2019: Nil).

### Other transactions with key management personnel

Transactions between key management personnel and related entities within the Group during the year amounted to nil. (2019: \$1.25M).

### END OF AUDITED REMUNERATION REPORT

## **Sovran White International Limited (previously China Magnesium Corporation Limited - Directors' Report – 30 June 2020**

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### **Insurance of officers and auditors**

During the financial year the Company paid a premium in respect of a contract insuring directors, secretaries and executive officers of the Company and its controlled entities against any liability incurred as director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or any of its controlled entity against a liability incurred as such an officer or auditor.

### **Proceedings on behalf of the Company**

During the financial year, there have been two claims involving the Company which the Company is disputing. The Company does not consider these claims to be material, and the Company is not otherwise and has not been involved in any legal or arbitration proceedings which have had, or could have, a significant and material adverse effect on the financial position of the Company.

Other than the above, no proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

### **Rounding of amounts**

The Company is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191, and therefore the amounts contained in this Report and the Financial Report have been rounded to the nearest Dollar.

### **Non-audit services**

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important. No amounts were paid or payable to the current or previous auditor for non-audit services provided during the year.

### **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 in this Annual Report.

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



**Jin Thean (Jason) Teoh**  
Executive Director CEO

16 December 2020

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF SOVRAN WHITE INTERNATIONAL LIMITED (PREVIOUSLY  
CHINA MAGNESIUM CORPORATION LIMITED)**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020, there have been:

- a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



WEN-SHIEN CHAI  
PARTNER



MOORE AUSTRALIA AUDIT (WA)  
CHARTERED ACCOUNTANTS

Signed at Perth this 16<sup>th</sup> day of December 2020.

**Sovran White International Limited (previously China Magnesium Corporation Limited) Consolidated Financial Statements – 30 June 2020**

**Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2020**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>\$</b>	<b>\$</b>
Revenue	5	60,000	1,252,243
Other income	5	1,881	24,026
		<b>61,881</b>	<b>1,276,269</b>
Impairment – Plant & equipment			(5,808,871)
Impairment – Financial asset		-	(2,587,137)
Loss on termination of lease - Right of use asset		(260,908)	(102,196)
Gain on derecognition of lease liability		287,967	118,839
Allowance for expected credit loss	10	(51,335)	(775,206)
Impairment on investment in associate	8	(140,000)	-
Share of profit/(loss) of associate	8	(102,670)	(107,750)
Costs of raw materials and consumables		-	(1,021,731)
Auditing and accounting expenses		(85,074)	(135,043)
Depreciation and amortisation	6	(65,418)	(579,472)
Employee benefits		(802,254)	(1,511,723)
Finance costs		(3,501)	(105,677)
Foreign exchange gain/(loss)		92,011	(313,976)
Lease interest	13	(37,271)	(44,464)
Amortisation on right of use assets	13	(133,110)	(167,331)
Other expenses		(438,757)	(273,045)
Travel		(69,306)	(90,616)
Total expenses		<b>(1,809,626)</b>	<b>(13,505,399)</b>
<b>Loss before income tax</b>		<b>(1,747,745)</b>	<b>(12,229,130)</b>
Income tax		-	-
<b>Loss after tax from continuing operations</b>		<b>(1,747,745)</b>	<b>(12,229,130)</b>
<b>Loss after tax from discontinuing operations</b>		<b>-</b>	<b>-</b>
<b>Loss after tax for the period</b>		<b>(1,747,745)</b>	<b>(12,229,130)</b>
<b>Other comprehensive income</b>			
<i>Items that may not be reclassified to profit or loss</i>			
Foreign currency translation differences		(49,512)	(21,037)
<b>Other comprehensive income for the year (net of tax)</b>		<b>(49,512)</b>	<b>(21,037)</b>
<b>Total comprehensive income for the year</b>		<b>(1,797,257)</b>	<b>(12,250,167)</b>
Loss for the year is attributable to:			
Owners of the parent		(1,747,745)	(11,615,172)
Non-controlling interests		-	(613,958)
		<b>(1,747,745)</b>	<b>(12,229,130)</b>
Total comprehensive income for the year is attributable to:			
Owners of the parent		(1,797,257)	(11,633,489)
Non-controlling interests		-	(616,678)
		<b>(1,797,257)</b>	<b>(12,250,167)</b>
<b>Earnings per share</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings/(loss) per share for the year	27	(0.4)	(3.1)
Diluted earnings/(loss) per share for the year	27	(0.4)	(3.1)

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



**Sovran White International Limited (previously China Magnesium Corporation Limited) Consolidated Financial Statements – 30 June 2020**

**Consolidated statement of financial position as at 30 June 2020**

	Note	2020 \$	2019 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	309,899	295,056
Trade and other receivables	10	8,138	1,189,798
Inventories	11	318,317	80,633
Prepayments	12	574,796	218,914
Assets classified as held for sale	14	9,638,192	-
<b>Total Current Assets</b>		<b>10,849,342</b>	<b>1,784,401</b>
<b>Non-current assets</b>			
Property, plant and equipment	15	127,638	8,715,856
Right of use assets	13	5,183	381,490
Investment accounted for using equity method	8	4,794,831	5,037,501
<b>Total Non-Current Assets</b>		<b>4,927,652</b>	<b>14,134,847</b>
<b>Total assets</b>		<b>15,776,994</b>	<b>15,919,248</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	16	1,864,177	2,114,826
Lease liabilities	13	4,268	147,866
Employee benefits	18	13,294	17,725
Liabilities classified as held for sale	14	9,432,673	-
<b>Total Current Liabilities</b>		<b>11,314,412</b>	<b>2,280,417</b>
<b>Non-Current liabilities</b>			
Trade and other payables	16	-	6,652,483
Lease liabilities	13	-	248,975
Borrowings	17	-	1,712,974
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>8,614,432</b>
<b>Total liabilities</b>		<b>11,314,412</b>	<b>10,894,849</b>
<b>Net assets</b>		<b>4,462,582</b>	<b>5,024,399</b>
<b>EQUITY</b>			
Issued capital	19	32,375,283	31,139,843
Reserves	20	3,380,088	3,429,600
Accumulated losses		(30,370,403)	(28,622,658)
Total equity attributable to owners of the parent		5,384,968	5,946,785
Non-controlling interest		(922,386)	(922,386)
<b>Total equity</b>		<b>4,462,582</b>	<b>5,024,399</b>

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

**Sovran White International Limited (previously China Magnesium Corporation Limited) Consolidated Financial Statements – 30 June 2020**

**Consolidated statement of changes in equity for the year ended 30 June 2020**

	Issued capital	Accumulated losses	Foreign currency translation reserve	Change of interest in subsidiary reserve	Total	Non-Controlling interest	Total equity
	\$	\$	\$	\$	\$	\$	\$
<b>As at 1 July 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	-	(11,615,172)	-	-	(11,615,172)	(613,958)	(12,229,130)
Other comprehensive income:							
Foreign currency translation difference	-	-	(18,317)	-	(18,317)	(2,720)	(21,037)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(11,615,172)</b>	<b>(18,317)</b>	<b>-</b>	<b>(11,633,489)</b>	<b>(616,678)</b>	<b>(12,250,167)</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)	-	(130,086)
<b>At 30 June 2019</b>	<b>31,139,843</b>	<b>(28,622,658)</b>	<b>2,910,670</b>	<b>518,930</b>	<b>5,946,785</b>	<b>(922,386)</b>	<b>5,024,399</b>
Loss for the year	-	(1,747,745)	-	-	(1,747,745)	-	(1,747,745)
Other comprehensive income:							
Foreign currency translation difference	-	-	(49,512)	-	(49,512)	-	(49,512)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(1,747,745)</b>	<b>(49,512)</b>	<b>-</b>	<b>(1,797,257)</b>	<b>-</b>	<b>(1,797,257)</b>
<b>Transactions with owners in their capacity as owners</b>							
Issue of shares	1,300,000	-	-	-	1,300,000	-	1,300,000
Issue costs	(64,560)	-	-	-	(64,560)	-	(64,560)
<b>At 30 June 2020</b>	<b>32,375,283</b>	<b>(30,370,403)</b>	<b>2,861,158</b>	<b>518,930</b>	<b>5,384,968</b>	<b>(922,386)</b>	<b>4,462,582</b>

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

**Sovran White International Limited (previously China Magnesium Corporation Limited) Consolidated Financial Statements – 30 June 2020**

**Consolidated Statement of cash flows for the year ended 30 June 2020**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		271,750	650,726
Payments to suppliers and employees		(1,022,957)	(3,704,827)
Interest received		1,881	15,744
Interest and other costs of finance paid		(3,501)	(3,587)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>26</b>	<b>(752,827)</b>	<b>(3,041,944)</b>
<b>Cash flows from investing activities</b>			
Payments for property plant and equipment		-	(274,171)
Investment in associate		-	(2,000,000)
Refundable due diligence fee	<b>12</b>	<b>(320,454)</b>	<b>-</b>
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(320,454)</b>	<b>(2,274,171)</b>
<b>Cash flows from financing activities</b>			
Proceeds from share issue/share option	<b>19</b>	<b>1,300,000</b>	<b>4,877,075</b>
Share issue costs	<b>19</b>	<b>(64,560)</b>	<b>(130,088)</b>
Lease capital repayment	<b>13</b>	<b>(120,012)</b>	<b>(167,331)</b>
Lease interest	<b>13</b>	<b>(37,271)</b>	<b>(44,464)</b>
<b>Net cash inflow/(outflow) from financing activities</b>		<b>1,078,157</b>	<b>4,535,192</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>4,876</b>	<b>(780,922)</b>
Cash and cash equivalents at the beginning of the year		295,056	1,043,615
Effects of exchange rate changes on cash and cash equivalents		9,967	32,364
<b>Cash and cash equivalents at the end of the year</b>	<b>9</b>	<b>309,899</b>	<b>295,056</b>

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

# Sovran White International Limited (previously China Magnesium Corporation Limited) Notes to the Consolidated Financial Statements - 30 June 2020

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## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements are for the consolidated entity consisting of Sovran White International Limited (previously China Magnesium Corporation Limited) and its subsidiaries. The financial statements were authorised for issue by the directors of the company.

### **(a) Basis of preparation**

These consolidated general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Group is a for-profit entity for the purpose of preparing the financial statements.

#### **i) Compliance with IFRS**

Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### **ii) Historical cost convention**

These financial statements have been prepared under the historical cost convention.

#### **iii) Critical accounting estimates**

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

### **(b) Principles of consolidation**

#### **i) Subsidiaries**

The consolidated financial statements incorporate the assets and liabilities of the subsidiaries of Sovran White International Limited ("Company" or "parent entity") as at 30 June 2020 and the results of its subsidiaries for the year ended. The Company and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries (as stated in note 25) are all those entities (including special purpose entities) over which the Group has control. The Group has control over an entity when the Group is exposed to, or has rights to variable returns from its investment with the entity and has the power to affect those returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(c)). Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **(Continued)**

Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### **ii) Changes in ownership interests**

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

#### **(c) Business combinations**

The acquisition method of accounting is used to account for all business combinations unless it is a combination involving entities or businesses under common control. Consideration is measured at the fair value of the assets transferred, liabilities incurred and equity interests issued by the Group on acquisition date. Consideration also includes the acquisition date fair values of any contingent consideration arrangements, any pre-existing equity interests in the acquiree and share-based payment awards of the acquiree that are required to be replaced in a business combination. The acquisition date is the date on which the Group obtains control of the acquiree. Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date unless, in rare circumstances it can be demonstrated that the published price at acquisition date is not fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measured at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired.

For each business combination, the Group measures non-controlling interests at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed when incurred.

#### **(d) Associates**

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **(Continued)**

are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The requirements of AASB 128: Investments in Associates and Joint Ventures and AASB 9: Financial Instruments are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136: Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

#### **(e) 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 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 trading of commodity including food and metal related.

There have been no changes in the operating segments during the year. Accordingly, 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 as a whole.

#### **(f) Foreign currency translation**

##### **(i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

##### **(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. All foreign exchange gains and losses are presented in the profit or loss on a net basis within income or expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

**(iii) Group companies**

The functional currency of the overseas subsidiaries include Singapore Dollar, Chinese Renminbi or United States Dollar. The results and financial position of foreign operations (none of which has the

currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- income and expenses for each Statement of Profit or Loss and other Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

**(g) Revenue recognition**

The Group recognises revenue when a performance obligation is satisfied by transferring a promised good or service to a customer. Revenue is measured at the amount of the transaction price that is allocated to the performance obligation. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised for the major business activities as follows:

**(i) Sale of commodity products**

The Group derives revenue from the sale of commodity products during the financial year. Domestic and export sales of goods are recognised when a Group entity has delivered products to the purchaser or, in the case of export sales, free on board and there is no unfulfilled obligation that could affect the purchaser's acceptance of the products. Delivery does not occur until the products have been shipped to the specified delivery location or vessel, the risks of obsolescence and loss have been transferred to the purchaser, and either the purchaser has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

**(ii) Interest**

Interest income is recognised using the effective interest method.



## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **(Continued)**

#### **(h) Income Tax**

The income tax expense or income for the year is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

#### **(i) Leases**

The group, as a lessee, recognises assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value (of which are recognised as an operating expense on a straight line basis over the term of the lease). Right of use assets and the corresponding liabilities arising from a lease are initially measured on a present value basis (using the interest rate implicit in the lease or the Group's incremental borrowing rate, whichever applicable). The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. As a consequence, a lessee recognises depreciation of the right-of-use asset (over the lease term or useful life of the asset whichever is the shortest; if a lease transfers ownership, depreciated over the useful life of the underlying asset) and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows.

#### **(j) Impairment of non-financial assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount immediately in profit or loss, unless the asset is carried at a revalued amount (in which case it is treated as a revaluation decrement). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **(Continued)**

suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. They are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to dispose (FVLCD) and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate to calculate the present value of those cash flows.

The data used for impairment testing procedures are directly linked to the Group's latest approved budget. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors. Impairment losses for cash-generating units is charged pro rata to the other assets in the cash generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash generating unit's recoverable amount exceeds its carrying amount.

#### **(k) Cash and cash equivalents**

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown in current liabilities on the Statement of Financial Position.

#### **(l) Trade and other receivables**

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. The assessment of impairment for trade receivables is based on how an entity manages its credit risk. If the Group has a small number of receivables with large value it may not be appropriate to base the impairment on a provision matrix as such a matrix would unlikely be in line with the expected credit loss of the individual receivable.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

#### **(m) Inventories**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure - the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **(n) Financial instruments**

#### **Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

#### **Classification and subsequent measurement**

##### *Financial liabilities*

Financial instruments are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit and loss if the financial liability is:

- A contingent liability consideration of an acquirer in a business combination to which AASB3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if:

- it is incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship are recognised in profit or loss.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and are not subsequently reclassified to profit or loss. Instead, they are transferred to retained earnings upon derecognition of the financial liability. If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

A financial liability cannot be reclassified.

### **Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially measured at fair values (and if not designated as at fair value through profit or loss and do not arise from a transfer of a financial asset) and subsequently measured at the higher of:

- the amount of loss allowance determined in accordance with AASB 9.3.25.3; and
- the amount initially recognised less the accumulative amount of income recognised in accordance with the revenue recognition policies.

### **Financial assets**

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates;
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Group initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as “accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy, and information about the groupings was documented appropriately, so that the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis;

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** **(Continued)**

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

### **Equity instruments**

At initial recognition, as long as the equity instrument is not held for trading and not a contingent consideration recognised by an acquirer in a business combination to which AASB 3: Business Combinations applies, the Group made an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investment will still be recognised in profit or loss. Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Group's accounting policy.

### **Derecognition**

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

#### **Derecognition of financial liabilities**

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### **Derecognition of financial assets**

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (ie the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** **(Continued)**

### **Impairment**

The Group recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income.
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Group uses the following approaches to impairment, as applicable under AASB 9: *Financial Instruments*:

#### *Simplified approach*

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to:

- trade receivables or contract assets that result from transactions within the scope of AASB 15: *Revenue from Contracts with Customers* and which do not contain a significant financing component;

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (ie diversity of customer base, appropriate groupings of historical loss experience, etc).

A financial asset is not considered to carry low credit risk merely due to existence of collateral, or because a borrower has a risk of default lower than the risk inherent in the financial assets, or lower than the credit risk of the jurisdiction in which it operates.

#### **Recognition of expected credit losses in financial statements**

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change in credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (eg loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.



## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **(Continued)**

#### **(o) Property, plant and equipment**

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting year in which it is incurred.

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts, net of their residual values, over the estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- Buildings 25-40 years
- Plant and equipment 3-15 years
- Vehicles 5-8 years
- Leasehold land 50 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

#### **(p) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within 30 – 60 days of recognition. Amounts received in respect of subscriptions for the issue of shares in the Company are also included in trade and other payables until the shares are issued.

#### **(q) Non-current Assets Held for Sale and Discontinued Operations**

Non-current assets and disposal groups are classified as held for sale and generally measured at the lower of carrying amount and fair value less costs to sell, where the carrying amount will be recovered principally through sale as opposed to continued use. No depreciation or amortisation is charged against assets classified as held for sale.

Classification as "held for sale" occurs when: management has committed to a plan for immediate sale; the sale is expected to occur within one year from the date of classification; and active marketing of the asset has commenced. Such assets are classified as current assets.

A discontinued operation is a component of an entity, being a cash-generating unit (or a group of cash generating units), that either has been disposed of, or is classified as held for sale, and: represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with the view to resale.

Impairment losses are recognised for any initial or subsequent write-down of an asset (or disposal group) classified as held for sale to fair value less costs to sell. Any reversal of impairment recognised on classification as held for sale or prior to such classification is recognised as a gain in profit or loss in the period in which it occurs.

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **(r) Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### **(s) Employee benefits**

#### **i) Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. All other short-term employee benefit obligations are presented as payables.

#### **ii) Other long-term employee benefit obligations**

The liability for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the reporting period. They are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and years of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### **iii) Termination benefits**

The Group recognises termination benefits as an expense and a liability on the earlier of when the Group:

- can no longer withdraw the offer and the benefits; and
- recognises costs for restructuring under AASB137 Provisions, Contingent Liabilities and Contingent Assets which involves the payment of termination benefits. Benefits falling due more than 12 months after the end of the reporting period are discounted to the present value.

### **(t) Issued capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any Group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Group as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Group.



**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(u) Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the financial year but not distributed at reporting date.

**(v) Earnings per share**

**i) Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

**ii) Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

**(w) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. Where the GST is not recoverable from the taxation authority it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

**(x) New and Amended Accounting Policies Adopted by the Group**

Initial application of AASB 16

The Group has elected to early adopt the standard from 30 June 2018 with the modified retrospective approach when transitioning to the new standard. Under this approach, the comparatives for the 2018 reporting period have not been restated.

The Group has recognised a lease liability and right-of-use asset for all leases (with the exception for short term and low value leases) recognised as operating leases under AASB 117 Leases where the Group is the lessee.

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(y) Rounding of amounts**

The Company is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191, and therefore the amounts contained in this Directors' Report and the Financial Report have been rounded to the nearest Dollar.

### **(z) Comparative figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statement is prepared.

## **NOTE 2: FINANCIAL RISK MANAGEMENT**

### **(a) General Objectives, Policies and Processes**

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The principal financial instrument risks, as detailed in Note 2(e) are:

Cash and cash equivalents	Trade and other receivables
Secured loans	Trade and other payables

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and price risks and aging analysis for credit risk.

Risk management is carried out under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as, interest rate risk, credit risk and investment of excess liquidity.

### **(b) Market risk**

Market risk arises from the use of interest bearing and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) and foreign exchange rates (currency risk). Cash and a secured loan are the only financial instruments of the Group that are subject to interest rate risk. Cash earns interest at a standard variable rate and the secured loan bears interest at a variable rate.

Foreign currency risk arises from the Group's investment in its foreign controlled subsidiaries. The currency in which transactions with these investments are primarily denominated is the Chinese Renminbi, United States Dollar and Singapore Dollar. The Group's investment in its subsidiaries is not hedged.

# Sovran White International Limited (previously China Magnesium Corporation Limited) Notes to the Consolidated Financial Statements - 30 June 2020

## NOTE 2: FINANCIAL RISK MANAGEMENT (Continued)

### (c) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposure to the Chinese Renminbi, Singapore Dollar and the United States Dollar.

Foreign exchange risk arises in particular from the Group's loans and net payables wholly relating to SYMC (subsidiary in China) that is denominated in Chinese Renminbi that is not offset by financial assets denominated in Chinese Renminbi. The Group's exposure to such expenditure at 30 June 2020 was AUD \$3,349,027 (2019: AUD \$3,383,869).

Cash holdings & receivables in RMB	10% Increase/Decrease		Effects of exchange rate changes	
Net Payables in RMB	4.8657	A\$3,349,027		
AUD change by 10%+	5.3523	A\$3,044,570	(A\$304,457)	Increase in OCI
AUD change by 10%-	4.3791	A\$3,721,141	A\$372,114	Decrease in OCI

Foreign exchange risk arises from the Group's cash holdings and receivables in Singapore Dollars. At 30 June 2020 the Group held AUD\$571,448 in Singapore Dollars (2019: AUD\$461,457). Foreign exchange risk also arises from the Group's cash holdings in United States Dollars. At 30 June 2020 the Group had cash holdings of AUD\$1,573 in United States Dollars (2019: AUD\$5,634).

Cash holdings & receivables in SGD	0.9592	A\$571,448		
AUD change by 10%+	1.0551	A\$519,499	(A\$51,950)	Decrease in OCI
AUD change by 10%-	0.8632	A\$634,943	A\$63,494	Increase in OCI
Cash holdings in USD	0.6877	A\$1,573		
AUD change by 10%+	0.7565	A\$1,430	(A\$143)	Decrease in OCI
AUD change by 10%-	0.6189	A\$1,748	A\$175	Increase in OCI

### (d) Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. The maximum exposure to credit risk at reporting date is the balances recognised in cash and trade and other receivables. Cash is deposited with major banks in Australia (National Australia Bank), China (China Construction Bank), and Singapore (United Overseas Bank and CIMB Bank Berhad).

### (e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The objective of managing liquidity risk is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when they fall due.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through access to debt or equity funding sources. The Group manages liquidity risk by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

### Maturities of financial assets and liabilities

The table below analyses the Group's financial assets and liabilities into relevant maturity groupings based on the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The above analysis should be considered in conjunction with the intended disposal of SYMC.

**Sovran White International Limited (previously China Magnesium Corporation Limited) Notes to the Consolidated Financial Statements - 30 June 2020**

**NOTE 2: FINANCIAL RISK MANAGEMENT (Continued)**

	<b>Consolidated 2020</b>			
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>0 to 6 months</b>	<b>6 to 12 months</b>	<b>12 to 60 months</b>	<b>Carrying Amount</b>
Others	17,562	-	-	17,562
Liabilities classified as held for sale	9,432,673	-	-	9,432,673
Trade and other payables	1,864,177	-	-	1,864,177
	11,314,412	-	-	11,314,412
	<b>Consolidated 2019</b>			
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>0 to 6 months</b>	<b>6 to 12 months</b>	<b>12 to 60 months</b>	<b>Carrying Amount</b>
Others	165,591	-	248,975	414,566
Borrowings	-	-	1,712,974	1,712,974
Trade and other payables	2,114,826	-	6,652,483	8,767,309
	2,280,417	-	8,614,432	10,894,849

	<b>Consolidated 2020</b>			
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>0 to 6 months</b>	<b>6 to 12 months</b>	<b>12 to 60 months</b>	<b>Carrying Amount</b>
Current assets	1,211,150	-	-	1,211,150
Assets classified as held for sale	9,638,192	-	-	9,638,192
Non-current assets	-	-	4,927,652	4,927,652
	10,849,342	-	4,927,652	15,776,994
	<b>Consolidated 2019</b>			
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>0 to 6 months</b>	<b>6 to 12 months</b>	<b>12 to 60 months</b>	<b>Carrying Amount</b>
Current assets	1,565,487	-	-	1,565,487
Non-current assets	-	-	14,353,761	14,353,761
	1,565,487	-	14,353,761	15,919,248

**(f) Fair value**

The carrying value of cash and cash equivalents, receivables, payables and borrowings are assumed to approximate their fair values due to their short-term nature.

### **NOTE 3: GOING CONCERN**

The Directors have prepared the financial report on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group incurred a net loss of \$1,747,745 and an operating cash outflow of \$752,827 for the financial year ended 30 June 2020. At that date the Group was in a net current liability position of \$465,070.

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

- (a) the completion of sale of its interest in SYMC;
- (b) expected access to further funding;
- (c) management services revenue commencing from the plantation associate;
- (d) expected cashflow and profits arising from general trading operations

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are:

- (a) The use of that going concern basis of accounting is appropriate
- (b) The Company considered the factors stated in AASB 128 to determine whether there is objective evidence of impairment in the net investment of its associates. Taking a prudent position, an impairment of \$140K has been provided for during the period.
- (c) Although a delay in SYMC disposal is expected due to circumstances beyond our control such as the coronavirus, the Company will continue to complete this transaction. Until the transaction is concluded, the Company is understood to have control of SYMC.

The directors concluded the circumstances surrounding the above assumptions represent a material uncertainty that casts significant doubt 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. Nevertheless, after considering the uncertainties above, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For those reasons, they continue to adopt the going concern basis in preparing the financial reports.

No adjustments have been made to the financial statements relating to the recoverability and classification of the assets and the carrying amounts and classification of liabilities should the director's assumptions not eventuate.

### **NOTE 4: 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 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 trading of commodity including

# Sovran White International Limited (previously China Magnesium Corporation Limited) Notes to the Consolidated Financial Statements - 30 June 2020

## NOTE 4: SEGMENT INFORMATION (continued)

food and metal related.

During the year, the Group equity accounted the results of two associates, CMC Lithium Pty Ltd which is involved in the lithium exploration in Western Australia and Sovran White (Singapore) International Logistics Pte Ltd (SWL) which is involved in distribution of produce from a Plantation Project in China.

### (a) Entity-wide disclosures

Consolidated revenues from each product or service;

	Commodity products including food and metal related	Other revenue	Total
	\$	\$	\$
2020	-	61,881	61,881
2019	1,187,243	89,026	1,276,269

During the year nil (2019: \$1,187,243) revenue was derived from trading activities of commodity products, The revenue of \$61,881 was mainly derived from management and administrative services for a related company.

## NOTE 5: REVENUE AND OTHER INCOME

	Consolidated	
	2020	2019
	\$	\$
Revenue from wood-based products (ii)	-	1,169,829
Revenue from Magnesium Lithium (ii)	-	17,414
Management fee (ii)	-	45,000
Administrative fee (a) (ii)	60,000	20,000
Other income (ii)	-	8,282
Interest (i)	1,881	15,744
<b>Total revenue</b>	<b>61,881</b>	<b>1,276,269</b>

- (a) Administrative fee was earned from Sovran White (Singapore) International Logistics Pte Ltd.- \$5,000 recognised monthly (or 5% of the sales revenue of the associate, whichever is higher).  
 (b) Revenue is recognised over time (as noted (i) above) and at a point in time (as noted (ii) above)

## NOTE 6: SIGNIFICANT INCOME AND EXPENSES

Expenses	2020	2019
	\$	\$
(Profit)/loss before tax includes the following:		
Depreciation/Amortisation		
Buildings	-	294,739
Plant & Equipment	-	192,851
Furniture & Fitting/Office equipment (a)	65,418	61,404
Leasehold Land	-	30,478
<b>Total depreciation and amortisation</b>	<b>65,418</b>	<b>579,472</b>

**Sovran White International Limited (previously China Magnesium Corporation Limited) Notes to the Consolidated Financial Statements - 30 June 2020**

**NOTE 6: SIGNIFICANT INCOME AND EXPENSES (continued)**

	2020 \$	2019 \$
Interest and finance charges paid/payable*	3,501	105,677
Rental expense, including lease interest and amortisation of right to use asset (a)	178,724	239,262
Plant & equipment impairment	-	5,808,871
Receivable impairment	-	2,587,137
Termination loss on right of use asset	-	102,196
Gain on derecognition of lease liabilities	-	(118,839)
Allowance for expected credit loss	51,335	775,206

\*exclude interest and finance charges relating to SYMC assets and liabilities classified as held for sale

(a) Included is the office lease in Great World City, Singapore at a monthly lease payment of SGD11,440 excluding GST. This has not been extended for another two years from 14 July 2020.

**NOTE 7: INCOME TAX BENEFIT**

	Consolidated 2020 \$	2019 \$
<b>(a) Income tax benefit</b>		
Current tax	(329,683)	(660,965)
Deferred tax	329,683	660,965
<b>Income tax benefit</b>	-	-
<b>(b) Reconciliation of income tax benefit to prima facie tax payable</b>		
Profit/(loss) from continuing operations before income tax expense	(1,532,078)	(11,507,422)
Tax at the Australian tax rate of 27.5% (2019:27.5%)	(421,321)	(3,164,541)
Foreign exchange translation differences	42,615	2,105,894
Other permanent differences	-	-
	42,615	2,105,894
Difference in overseas tax rate	65,613	405,483
Tax losses not recognised	313,093	653,164
Under/(over) provision from prior years	-	-
<b>Income tax expense/(credit)</b>	-	-
<b>(c) Unrecognised deferred tax assets</b>		
Deferred tax assets at the applicable tax rate have not been recognised for the following:		
Unused tax losses	5,729,558	5,545,489
Deductible temporary differences	60,709	87,130
	<b>5,790,267</b>	<b>5,632,619</b>



# Sovran White International Limited (previously China Magnesium Corporation Limited) Notes to the Consolidated Financial Statements - 30 June 2020

## NOTE 8: INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

	2020 \$	2019 \$
A. Investment in CMC Lithium Pty Ltd	330,851	554,645
B. Investment in Sovran White (S) International Logistics Pte Ltd (SWL)	4,463,980	4,482,856
	<b>4,794,831</b>	<b>5,037,501</b>

Name	Principal activities /Country of incorporation	2020 %	2019 %
A. CMC Lithium Pty Ltd	Preliminary exploration for lithium / Australia	40%	40%

	2020	2019
<i>Summarised statement of financial position</i>		
Current assets	471,164	672,025
Non-current assets	700,000	700,000
<b>Total assets</b>	<b>1,171,164</b>	<b>1,372,025</b>
Current liabilities	35,178	26,553
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>35,178</b>	<b>26,553</b>
<b>Net Assets</b>	<b>1,135,986</b>	<b>1,345,472</b>
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Revenue	-	-
Expenses	(209,485)	(226,514)
Profit / (loss) before income tax	(209,485)	(226,514)
Income tax expense	-	-
Profit / (loss) after income tax	(209,485)	(226,514)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(209,485)</b>	<b>(226,514)</b>
<i>Consolidated entity's carrying amount reconciliation</i>		
Opening carrying amount	554,645	645,251
Impairment	(140,000)	-
Share of loss after income tax	(83,794)	(90,606)
<b>Closing carrying amount</b>	<b>330,851</b>	<b>554,645</b>

### Update on investment and key judgements for impairment

Based on recommendations by the geologists engaged by CMC Lithium Pty Ltd (CMCL), this 40% associate is considering a potential joint venture (JV) over a new tenement (also for lithium), which is located near the existing two tenements in Greenbushes Western Australia. The new tenement is still under application with the Western Australia Department of Mines, Industry Regulation and Safety (DMIRS). The potential JV partners are currently working on a non-binding heads of agreement and not in a position to disclose further details. In view of the aforesaid potential JV, the current project has been on hold. Relevant updates of any further developments will be made in due course.

If the Associate decides not to continue with exploration activities for the current tenements valued at \$700k, the Company take the position that there is a potential impairment on the carrying value of the tenements. Taking a prudent position, an impairment of \$140K has been provided for during the period.



# Sovran White International Limited (previously China Magnesium Corporation Limited) Notes to the Consolidated Financial Statements - 30 June 2020

## NOTE 8: INVESTMENT ACCOUNTED FOR USING EQUITY METHOD (Continued)

Name	Principal activities /Country of incorporation	2020 %	2019 %
B. Sovran White (Singapore) International Logistics Pte Ltd (SWL)	Management services and distribution of produce from Plantation in China	21.43%	21.43%
		<b>2020</b>	<b>2019</b>
<i>Summarised statement of financial position</i>			
Current assets		-	-
Non-current assets		21,000,000	21,000,000
<b>Total assets</b>		<b>21,000,000</b>	<b>21,000,000</b>
Current liabilities		168,081	80,000
Non-current liabilities		-	-
<b>Total liabilities</b>		<b>168,081</b>	<b>80,000</b>
<b>Net Assets</b>		<b>20,831,919</b>	<b>20,920,000</b>
<i>Summarised statement of profit or loss and other comprehensive income</i>			
Revenue		-	-
Expenses		(88,081)	(80,000)
Profit / (loss) before income tax		(88,081)	(80,000)
Income tax expense		-	-
Profit / (loss) after income tax		(88,081)	(80,000)
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>(88,081)</b>	<b>(80,000)</b>
<i>Consolidated entity's carrying amount reconciliation</i>			
Opening carrying amount		4,482,856	4,500,000
Share of loss after income tax		(18,876)	(17,144)
<b>Closing carrying amount</b>		<b>4,463,980</b>	<b>4,482,856</b>

### Update on investment and key judgements for impairment

From the existing high-level agreement for the Orchard and Plantation project joint venture, further discussions between the relevant contracting parties in respect of the detailed terms of services and ancillary facilities for the distribution of agricultural products have been affected by circumstances caused by Covid-19. The Board has been advised that the situation has yet to be resolved and further negotiations have been put on hold until factors such as the commercial and economic feasibility of the project can be reassessed by the parties in a post Covid-19 climate.

The Company has not provided for any impairment, based on the understanding that the key stakeholders expect production assumptions to remain intact and have committed to undertake the project post Covid-19.

## NOTE 9: CASH AND CASH EQUIVALENTS

	2020 \$	2019 \$
Cash at bank and in hand	309,899	294,939
Cash at bank and in hand - SYMC	-	117
	<b>309,899</b>	<b>295,056</b>

Cash at bank and in hand earn interest rates between zero and 1.0% (2019: zero and 1.0%).

# Sovran White International Limited (previously China Magnesium Corporation Limited) Notes to the Consolidated Financial Statements - 30 June 2020

## NOTE 10: TRADE AND OTHER RECEIVABLES

	2020 \$	2019 \$
Trade debtors	395,206	595,206
Allowance for expected credit loss	(395,206)	(395,206)
	<u>-</u>	<u>200,000</u>
Other debtors (exclude SYMC)	439,473	403,060
Allowance for expected credit loss (net of recovery)	(431,335)	(380,000)
Other debtors - SYMC	-	966,738
	<u><b>8,138</b></u>	<u><b>1,189,798</b></u>

The following table shows the movement in lifetime expected credit loss that has been recognised for trade and other receivables in accordance with the simplified approach set out in AASB 9: Financial Instruments.

Allowance for expected credit loss under AASB 9 were made for: i) receivable \$89,708 due more than 90 days from an associate and ii) leasing bond \$11,627. Management intends to pursue recovery of these amounts and believes there should be recovery, however under the expected credit loss requirements of AASB 9 they have determined that an allowance is appropriate at 30 June 2020.

	Opening balance 1 July 2018 \$	Net measurement of loss allowance \$	Amounts written off \$	Closing balance 30 June 2019 \$
Trade receivables	-	395,206	-	395,206
Other receivables	-	-	-	-
Related parties	-	380,000	-	380,000
	<u>-</u>	<u><b>775,206</b></u>	<u>-</u>	<u><b>775,206</b></u>

	Opening balance 1 July 2019 \$	Net measurement of loss allowance \$	Amounts written off \$	Closing balance 30 June 2020 \$
Trade receivables	395,206	-	-	395,206
Other receivables	-	11,627	-	11,627
Related parties	380,000	89,708	(50,000)	419,708
	<u><b>775,206</b></u>	<u><b>101,335</b></u>	<u><b>(50,000)</b></u>	<u><b>826,541</b></u>

## NOTE 11: INVENTORIES

	2020 \$	2019 \$
Commodities – at cost	318,317	-
SYMC raw materials – at cost	-	80,633
	<u><b>318,317</b></u>	<u><b>80,633</b></u>

The balance as at 30 June 2020 relates to steel pipes for trading purposes. Inventories recognised as expense during the year ended 30 June 2020 amounted to nil (2019 – \$1,011,731).

# Sovran White International Limited (previously China Magnesium Corporation Limited) Notes to the Consolidated Financial Statements - 30 June 2020

## NOTE 12: PREPAYMENT

	2020 \$	2019 \$
Advance payment for commodity trading (a)	209,623	-
Refundable due diligence fee (b)	320,454	-
Prepayments - SYMC	-	162,621
Rental deposits	44,719	56,293
<b>Prepayment</b>	<b>574,796</b>	<b>218,914</b>

- (a) The advance payment of SGD200k is for commodity trading that has not progressed due to circumstances caused by the Covid-19. No delivery has occurred and the intention to use it for trading in the near future remains.
- (b) It relates to the refundable due diligence fee for a potential acquisition. Should the acquisition fails to materialise for whatever reasons, this fee of SGD300k (AUD320k) will be refunded to the Company.

## NOTE 13: LEASES

On 15 July 2018, the Group has entered a property lease arrangement in Singapore for 2 years with a further 2 year option, which is accounted for in accordance with AASB 16. On 14 July 2020, the Group did not exercise the further 2 year option for the property lease in Singapore. The resultant gain on derecognition of liability and impairment of asset have been accounted for during the financial year.

	2020 \$	2019 \$
<b>Right of use leased assets</b>		
Non-current	5,183	381,490
<b>Lease liabilities</b>		
Current	4,268	147,866
Non-current	-	248,975

	Current Period \$	Within 12 Months \$	Within 2-5 years \$
Cash lease payments	120,012	5,720	-
<b>Lease expense recognised</b>			
Interest	37,271	1,452	-
Amortisation	133,110	5,183	-
<b>Total charge to profit or loss</b>	<b>170,381</b>	<b>6,635</b>	<b>-</b>

**NOTE 14: ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATION**

As announced to ASX on 6 August 2019, the Company entered into a conditional Sale and Purchase Agreement (SPA) to sell its 91.25% interest in SYMC. This sale was approved by shareholders on 23 October 2019. Given the intention to dispose of SYMC, it has remained dormant without any material transactions for the current period. As such, as at 30 June 2020, SYMC represents an asset held for sale and is a discontinued operation. Revenue and expenses, gain and losses of this discontinued operation have been eliminated from the profit and loss of the Group's continuing operations and are shown as a single line item in the statement of profit or loss.

	2020 \$	2019 \$
<b>Carrying amounts of assets and liabilities of SYMC</b>		
Property, plant and equipment	8,440,543	-
Current assets		
Inventories	79,802	-
Trade and other receivables	1,117,730	-
Cash and cash equivalents	117	-
<b>Assets classified as held for sale</b>	<b>9,638,192</b>	-
Current liabilities		
Provisions	4,385	-
Trade and other payables	8,400,687	-
Borrowings	1,027,601	-
<b>Liabilities classified as held for sale</b>	<b>9,432,673</b>	-
<b>Net recoverable amount</b>	<b>205,519</b>	-

# Sovran White International Limited (previously China Magnesium Corporation Limited) Notes to the Consolidated Financial Statements - 30 June 2020

## NOTE 15: PROPERTY, PLANT AND EQUIPMENT

	Assets under construction	Leasehold Land	Buildings	Plant & equipment	Total
	\$	\$	\$	\$	\$
<b>Year ended 30 June 2020</b>					
Opening net book amount	564,378	1,288,342	4,992,551	1,870,585	8,715,856
Exchange differences	(5,811)	(13,265)	(51,407)	(11,774)	(82,257)
Depreciation / amortisation	-	-	-	(65,418)	(65,418)
Closing net book amount	558,567	1,275,077	4,941,144	1,793,393	8,568,181
<b>At 30 June 2020</b>					
Cost	8,107,278	1,521,145	5,521,320	3,650,324	18,800,067
Accumulated depreciation	-	(246,068)	(580,176)	(1,856,931)	(2,683,175)
Impairment *	(7,548,711)	-	-	-	(7,548,711)
Net Book amount	558,567	1,275,077	4,941,144	1,793,393	8,568,181
<b>Net Book amount</b>	-	-	-	127,638	127,638
<b>SYMC assets held for sale</b>	558,567	1,275,077	4,941,144	1,665,755	8,440,543
	558,567	1,275,077	4,941,144	1,793,393	8,568,181
<b>Year ended 30 June 2019</b>					
Opening net book amount	6,278,570	1,306,262	5,220,260	1,892,411	14,697,503
Exchange differences	70,508	12,558	67,030	(17,571)	132,525
Additions	24,171	-	-	250,000	274,171
Impairment *	(5,808,871)	-	-	-	(5,808,871)
Depreciation / amortisation	-	(30,478)	(294,739)	(254,255)	(579,472)
Closing net book amount	564,378	1,288,342	4,992,551	1,870,585	8,715,856
<b>At 30 June 2019</b>					
Cost	8,113,089	1,536,970	5,578,763	3,675,706	18,904,528
Accumulated depreciation	-	(248,628)	(586,212)	(1,805,121)	(2,639,961)
Impairment *	(7,548,711)	-	-	-	(7,548,711)
Net Book amount *	564,378	1,288,342	4,992,551	1,870,585	8,715,856

\* Property, plant and equipment are mainly relating to SYMC assets in Pingyao, which has been classified as assets held for sale and not subject to depreciation during the period. The impairment relates to the amount allocated based on consideration at RMB 1M in the Sales and Purchase Agreement (SPA).

## NOTE 16: TRADE AND OTHER PAYABLES

	2020 \$	2019 \$
<b>Current:</b>		
Other payables and accruals	1,864,177	954,026
Other payables and accruals - SYMC	-	1,160,800
	<b>1,864,177</b>	<b>2,114,826</b>
<b>Non-Current:</b>		
Trade payables - SYMC	-	1,820,385
Other payables - SYMC	-	4,832,098
	<b>-</b>	<b>6,652,483</b>

Current other payables and accruals are balances mainly relating to directors, employees and consultants. The Company has sought professional advice and is expected to resolve these arrears/disputes pursuant to an ongoing restructuring exercise.

# Sovran White International Limited (previously China Magnesium Corporation Limited) Notes to the Consolidated Financial Statements - 30 June 2020

## NOTE 17: BORROWINGS

	2020 \$	2019 \$
<b>Borrowings (include interest accrued) -SYMC</b>	<b>-</b>	<b>1,712,974</b>

Fengyan Group provided borrowings of RMB 5M at interest rate of 13.68% annually to SYMC, which has been approved for sale. This is included in the liabilities classified as held for sale as at 30 June 2020.

## NOTE 18: EMPLOYEE BENEFITS

	2020 \$	2019 \$
Employee benefits	13,294	13,294
Employee benefits- SYMC	-	4,431
	<b>13,294</b>	<b>17,725</b>

## NOTE 19: ISSUED CAPITAL

	Consolidated 2020 Shares	Consolidated 2019 Shares	Consolidated 2020 \$	Consolidated 2019 \$
<b>(a) Share capital</b>				
Ordinary shares fully paid	505,771,888	462,438,556	32,375,283	31,139,843

### (b) Movements in ordinary share capital

Date	Details	Number of shares	*Issue price	\$
30 June 2019	Balance	<b>462,438,556</b>		<b>31,139,843</b>
7 August 2019	Share issue	6,666,666	0.03	200,000
28 August 2019	Share issue	3,333,333	0.03	100,000
12 February 2019	Share issue costs			(18,864)
18 November 2019	Share issue	33,333,333	0.03	1,000,000
	Share issue costs			(45,696)
30 June 2020		<b>505,771,888</b>		<b>32,375,283</b>

### (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 2020 (2019: nil).

### (e) Shares issued

During the year the company issued 43,333,332 (2019: 147,541,522) ordinary shares at \$0.03, raising \$1,300,000 before costs pursuant to share placements.

# Sovran White International Limited (previously China Magnesium Corporation Limited) Notes to the Consolidated Financial Statements - 30 June 2020

## NOTE 19: ISSUED CAPITAL (continued)

### (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.

## NOTE 20: RESERVES

	2020 \$	Consolidated 2019 \$
Foreign currency translation reserve	2,861,158	2,910,670
Change of interest in subsidiary reserve	518,930	518,930
Total reserves	<u>3,380,088</u>	<u>3,429,600</u>

### Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences on translation of the foreign controlled subsidiaries. Amounts are reclassified to profit or loss when the investment is disposed of.

### Change of interest in subsidiary reserve

The change of interest in subsidiary reserve is used to record differences which may arise as a result of increases or decreases in non-controlling interests that do not result in a loss of control.

## NOTE 21: REMUNERATION OF AUDITORS

	2020 \$	Consolidated 2019 \$
Audit and review of financial statements	62,000	100,000
	<u>62,000</u>	<u>100,000</u>

Following the receipt of consent from the Australian Securities and Investment Commission (ASIC) to the resignation of Grant Thornton Audit Pty Ltd dated 13 October 2020, the Company notified the ASX that Moore Australia Audit (WA) is the incoming auditor.

## NOTE 22: CONTINGENCIES AND COMMITMENTS

There are no contingencies and capital commitments as at 30 June 2020.

# Sovran White International Limited (previously China Magnesium Corporation Limited) Notes to the Consolidated Financial Statements - 30 June 2020

## NOTE 23: RELATED PARTY TRANSACTIONS

### (a) Parent entity

The parent entity within the Group is Sovran White International Limited (previously China Magnesium Corporation Limited).

### (b) Subsidiaries

Interests in subsidiaries are set out in note 25.

### (c) Associates

Sovran White (Singapore) International Logistics Pte Ltd became 21.43% associate effective 8 March 2019 while remaining 78.57% shareholding is held by Sovran White International Pte Ltd. CMC Lithium Pty Ltd has been an associate since 1 February 2018. Details are in note 8.

### (d) Key management personnel

	Consolidated	
	2020	2019
	\$	\$
Short term employee benefits	686,091	929,354
Post-employment benefits	11,605	13,020
	<b>697,696</b>	<b>942,374</b>

For details of transactions that key management personnel and their related entities had with the Group during the year please refer to the Remuneration Report.

## NOTE 24: PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2020 the parent entity of the Group was Sovran White International Limited. The following information relates to the parent entity and has been prepared using accounting policies that are consistent with those presented in Note 1.

### a) Summarised financial information

Result of parent entity	2020	2019
	\$	\$
Profit / (loss) for the year after tax	(855,692)	(20,694,181)
Other comprehensive income	-	-
Total comprehensive income for the year	<b>(855,692)</b>	<b>(20,694,181)</b>
Financial position of parent entity at year end		
Current assets	4,385,781	3,378,393
Non-current assets	6,372,715	6,372,715
Total assets	<b>10,758,496</b>	<b>9,751,108</b>
Current liabilities	1,539,773	912,133
Total liabilities	<b>(1,539,773)</b>	<b>(912,133)</b>
Net assets	<b>9,218,723</b>	<b>8,838,975</b>
Contributed equity	32,375,282	31,139,842
Accumulated (losses)	(23,156,559)	(22,300,867)
Total equity	<b>9,218,723</b>	<b>8,838,975</b>



# Sovran White International Limited (previously China Magnesium Corporation Limited) Notes to the Consolidated Financial Statements - 30 June 2020

## NOTE 24: PARENT ENTITY DISCLOSURES (continued)

### b) Guarantees entered into by the parent entity

The parent entity has not entered into any guarantees in respect of its subsidiaries. (2019 – nil).

### c) Contingent liabilities

The Group is not aware of any contingent liability, other than as disclosed at Note 22.

### d) Contractual commitments

The Group has not entered into any contractual commitments. (2019 – nil)

## NOTE 25: SUBSIDIARIES AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS (NCI)

### Interests in subsidiaries

Information relating to the group's interests in principal subsidiaries at 30 June 2020 is set out below:

Name of entity	Country of incorporation	Group holding 2020 %	Group holding 2019 %	NCI holding 2020 %	NCI holding 2019 %
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	100.00	0.00	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.

### Disposal of SYMC

As announced to the ASX on 6 August 2019, the Company 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 being satisfied for RMB 1 million. This sale was approved by shareholders on 23 October 2019. The parties have not yet agreed to an extension to meeting the conditions of sale of the Pingyao plant. The parties are still in contact, but things have been delayed as a result of the Covid-19 and the parties are unsure as to the timeline in which a sale is possible given the current climate. As an alternative, the Company may explore other buyers.

# Sovran White International Limited (previously China Magnesium Corporation Limited) Notes to the Consolidated Financial Statements - 30 June 2020

## NOTE 26: RECONCILIATION OF PROFIT / (LOSS) AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
(Loss) for the year	(1,747,745)	(12,229,130)
Share of losses from Associates	102,670	107,750
Depreciation and amortisation	65,418	579,472
Impairment – Plant & equipment	-	5,808,871
Impairment - Receivable	-	2,587,137
Allowance for expected credit loss	101,335	775,206
Impairment – investment in associate	140,000	-
Loss on termination of lease – Right of use asset	260,908	102,196
Gain on derecognition of lease liability	(287,967)	(118,839)
Amortisation of rights of use asset	133,110	167,331
Lease interest expense included in financing activities	37,271	44,464
Foreign exchange loss/(gain)	(92,011)	313,976
Decrease (increase) in prepayment	(512,813)	-
Decrease (increase) in trade and other receivables	208,520	(841,991)
Decrease (increase) in inventories	(318,317)	430
(Decrease) Increase in trade and other payables	1,156,794	(339,255)
(Decrease) Increase in other provisions	-	438
Net cash inflows / (outflows) from operating activities	(752,827)	(3,041,944)

## NOTE 27: EARNINGS PER SHARE

	<b>2020</b>	<b>2019</b>
	<b>Cents</b>	<b>Cents</b>
Basic earnings / (loss) per share	(0.4)	(3.1)
Diluted earnings / (loss) per share	(0.4)	(3.1)
	<b>\$</b>	<b>\$</b>
Net loss for the year attributable to owners of the parent used to calculate loss per share – basic and diluted	(1,747,745)	(11,615,172)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares outstanding during the year used to calculate basic loss per share	491,700,850	375,613,273
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	491,700,850	375,613,273

## NOTE 28: SUBSEQUENT EVENTS

Following shareholders approval at the general meeting held on 8 July 2020, the Company is in the midst of progressing the approval of its intended listing on the Sydney Stock Exchange (SSX).

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2020 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

## **Sovran White International Limited (previously China Magnesium Corporation Limited Directors' Declaration - 30 June 2020**

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### **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:
  - i) Giving a true and fair view of the financial position as at 30 June 2020 and the performance for the year ended on that date of the consolidated entity; and
  - ii) Complying with Accounting Standards, *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - iii) Complying with International Financial Reporting Standards as disclosed in Note 1(a); and
- (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; and
- (c) The audited Remuneration Report set out in the Directors' Report on pages 8 to 11 complies with Section 300A of the *Corporations Act 2001*.

The Directors have been given the declarations by the Chief Executive Officer and Comptroller as required by Section 295A of the *Corporations Act 2001*.

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



**Jin Thean (Jason) Teoh**  
Executive Director CEO

16 December 2020

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF SOVRAN WHITE INTERNATIONAL  
LIMITED (PREVIOUSLY CHINA MAGNESIUM CORPORATION LIMITED)****Report on the Audit of the Financial Report****Qualified Opinion**

We have audited the financial report of Sovran White International Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, except for the qualification noted below, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

**Basis for Audit Qualification - Assets and Liabilities (Relating to Shanxi Yushun Magnesium Co. Ltd (SYMC)) Held for Sale**

With respect to the Group's share of assets and liabilities of SYMC (the disposal group) being held for sale as disclosed in Note 14 to the financial report, we are not able to gather sufficient appropriate audit evidence to enable us to determine if their carrying amounts were fairly stated and whether any adjustments were necessary due to limited access to the underlying financial records and/or information of the disposal group. In addition, the prior year audit qualification (raised by previous auditor) regarding the balances and transactions of SYMC consolidated in the 2019 comparatives remained unchanged as we are unable to determine whether any adjustments were necessary to be made in respect of those comparative figures due to limited access to prior year underlying financial records and/or information.

**Emphasis of Matter:-**

Without qualification to the opinion expressed above, we draw attention to:-

**a) Material Uncertainty Related to Going Concern,**

As detailed in Note 3, the Group has reported a net loss of \$1,747,745 and a net current liability of \$465,070 for the financial year ended 30 June 2020. As reported in Note 3, these events or conditions indicate the existence of a material uncertainty that may cast doubt about the Group's ability to continue as a going concern for at least the next 12 months and, if it could not continue as a going concern, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at amounts other than as stated in the financial report.

**b) Material Uncertainty Related to Carrying Value of the Investment in Sovran White (Singapore) International Logistics Pte Ltd (SWL),**

As detailed in Note 8 (b), the progression of SWL's underlying Orchard and Plantation Joint Venture have been affected by circumstances caused by COVID-19 and a reassessment of commercial and economic feasibility of the joint venture is anticipated post COVID-19. These conditions indicate the existence of material uncertainty in respect of the valuation of the management right assigned to SWL in 2019. In the event the actual economic events and conditions affecting the project in future are materially different from those expected by the Company, this may impact on the carrying value of the Company's investment in SWL.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF SOVRAN WHITE INTERNATIONAL LIMITED (PREVIOUSLY  
CHINA MAGNESIUM CORPORATION LIMITED) (CONTINUED)**

**Report on the Audit of the Financial Report (Continued)**

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Accounting for Assets Held for Sale**

**Refer to Note 14:- Assets and Liabilities Classified as Held for Sale and Discontinued Operations.**

The Group has entered into a conditional sale and purchase agreement (SPA) on 6 August 2019 to sell its 91.25% interest in SYMC. This has resulted the Group impairing the net carrying amounts of SYMC to the consideration due under contract in last financial year ended 30 June 2019. For the current year ended 30 June 2020, as the Group is committed to a sale plan (involving loss of control of a subsidiary), the Group has classified its share of all assets and liabilities of SYMC (the disposal group) as held for sale in accordance with AASB 5 "Non-current Assets Held for Sale and Discontinued Operations".

The accounting for the assets (or disposal group) held for sale is a key audit matter due to the complexity and material nature of the arrangement. In addition, the Group is required to assess for any initial or subsequent write-down of the disposal group to fair value less costs to sell to the extent not previously recognised.

As at 30 June 2020, the Group concluded no further impairment is required to be recognised in respect of the disposal group.

Our procedures included, amongst others:

- Reviewed the sale and purchase agreement and underlying terms & conditions of the transaction to ensure they are usual and customary for sales of such disposal group and the sale is highly probable;
- Discussed with management regarding the timeline of the sale agreement to ensure the sale is reasonably expected to be considered as a completed sale in the foreseeable future;
- Discussed with management and considered the circumstances surrounding the intended disposal with regards to the need of subsequent write-down of the net carrying amount of the disposal group; and
- Assessed the adequacy of the disclosures in the consolidated financial statements for the disposal group held for sale in accordance with AASB 5.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF SOVRAN WHITE INTERNATIONAL LIMITED (PREVIOUSLY  
CHINA MAGNESIUM CORPORATION LIMITED)  
(CONTINUED)**

**Report on the Audit of the Financial Report (Continued)**

**Key Audit Matters (Continued)**

<b>Accounting for Investments in Associates</b>	
<b>Refer to Note 8- Investment accounted for using Equity Method</b>	
<p>The Company has investments in two companies mainly:-</p> <ul style="list-style-type: none"> <li>• CMC Lithium Pty Ltd (CMC)- 40% held; and</li> <li>• Sovran White (Singapore) International Logistics Pte Ltd (SWL)-21.43% held.</li> </ul> <p>As the Company has significance influence over CMC and SWL, these investments are considered as Associates and required to be accounted for using equity method in accordance with AASB 128 "Investments in Associates and Joint Ventures".</p> <p>Accounting for investments of Associates a key audit matter due to the complexity and material nature of the arrangement. In addition, the Group is required to assess of any initial or subsequent write-down of the disposal group to fair value less costs to sell to the extent not previously recognised.</p> <p>As at 30 June 2020, the Group concluded</p> <ul style="list-style-type: none"> <li>• There was a impairment loss of \$140K in respect of the investment in CMC due to the uncertainty over the valuation of the tenements held by the Associate; and</li> <li>• No impairment is required to be recognised in respect of SWL</li> </ul>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Reviewed the audit file of the component auditor of CMC to ensure sufficient appropriate audit evidence was gathered in respect of the net assets of CMC;</li> <li>• Reviewed the management accounts of SWL and substantively tested the material balances and transactions of SWL to appropriate supporting documents;</li> <li>• Ensured the respective share of the Associates have been calculated and recorded correctly in the consolidated financial statements;</li> <li>• Reviewed the impairment assessment prepared by management including assessment of the reasonableness of the underlying assumptions used in determining whether there is an impairment in the investments in Associates as per AASB 136 "Impairment of Assets"; and</li> <li>• Assessed the adequacy of the disclosures in the consolidated financial statements in accordance with AASB 128 "Investments in Associates and Joint Ventures".</li> </ul>

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF SOVRAN WHITE INTERNATIONAL LIMITED (PREVIOUSLY  
CHINA MAGNESIUM CORPORATION LIMITED)  
(CONTINUED)**

**Report on the Audit of the Financial Report (Continued)**

**Responsibilities of the Directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf) This description forms part of our auditor's report.

**Report on the Remuneration Report**

**Opinion on the Remuneration Report**

We have audited the Remuneration Report as included in the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Sovran White International Limited, for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

**Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



WEN-SHIEN CHAI  
PARTNER



MOORE AUSTRALIA AUDIT (WA)  
CHARTERED ACCOUNTANTS



## Sovran White International Limited (previously China Magnesium Corporation Limited) Corporate Directory

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### ASX Additional information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective as at 23 October 2020.

### SECURITIES EXCHANGE

The Company is listed on the Australian Securities Exchange. The Home Exchange is Sydney

### SUBSTANTIAL SHAREHOLDERS

Ordinary Shares	Number Held	%
Sovran White International Pte Ltd	50,000,000	9.89
Mr Thomas Troy Blackhurst	46,100,647	9.11
Wang Feng	34,915,062	6.90
Mr Xinping Liang	34,435,729	6.81
Mr Chua Eng Guan	33,333,333	6.59
	<b>198,784,771</b>	<b>39.30</b>

### THE NUMBER OF HOLDERS IN EACH CLASS OF SECURITIES

Type of security	Number of holders	Number of securities
Ordinary shares	508	505,771,888

### CLASS AND VOTING RIGHTS

The voting rights attached to ordinary shares, as set out in the Company's Constitution, are that every member in person or by proxy, attorney or representative, shall have one vote on a show of hands and one vote for each share held on a poll.

A member holding partly paid shares is entitled to a fraction of a vote equivalent to the proportion which the amount paid up bears to the issue price for the shares

### DISTRIBUTION OF SHAREHOLDERS AND OPTIONHOLDERS

The total distribution of fully paid shareholders, being the only class of equity was as follows:

Range	Total Shareholders
1 - 1,000	19
1,001 - 5,000	50
5,001 - 10,000	62
10,001 - 100,000	229
100,001 and over	148
<b>Total</b>	<b>508</b>



## Sovran White International Limited (previously China Magnesium Corporation Limited) Corporate Directory

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### LESS THAN MARKETABLE PARCELS

There were 268 holders of less than a marketable parcel of ordinary shares.

Twenty largest shareholders

Name	Ordinary Shares	
	Quantity	%
Sovran White Intl Pte Ltd	50,000,000	9.89
Mr Tom Blackhurst	46,100,647	9.11
Mr Wang Feng	34,915,062	6.90
Mr Xinping Liang	34,435,729	6.81
Mr Chua Eng Guan	33,333,333	6.59
BNP Paribas Noms PL	29,263,645	5.79
Ms Tan Mung Ngian	20,000,000	3.95
Mr He Yuming	20,000,000	3.95
Ms Lui Minghui	20,000,000	3.95
Ms Goh Siew Hoon	20,000,000	3.95
Mr Guicheng Jia	16,922,472	3.35
Mr Jiepeng Wu	15,473,920	3.06
Citicorp Nom PL	14,275,640	2.82
Mr Ming Li	12,000,000	2.37
Mr Adrian Tay Kuan Yang	9,999,999	1.98
Mr Ong Hock Seong	9,189,848	1.82
Ms Vera Lim Hui	8,900,000	1.76
Mr Fenglin Wang	7,736,960	1.53
Ms Hui Vera Lim	7,310,000	1.45
Dato Lee Han Siew	7,000,000	1.38
Mr Yanqin Zhao	3,594,800	0.71
Mr Yuping Wang	3,594,800	0.71
<b>Top 20 total</b>	<b>424,046,855</b>	<b>83.84</b>
<b>Others</b>	<b>81,725,033</b>	<b>16.16</b>
<b>Total as at 23 October 2020</b>	<b>505,771,888</b>	<b>100.00</b>