



Appendix 4D

| | |
|--|-------------------------------------|
| Name of Entity: | China Magnesium Corporation Limited |
| ABN: | 14 125 236 731 |
| Current Financial Period Ended: | Half-Year ended 31 December 2011 |
| Previous Corresponding Reporting Period | Half-Year ended 31 December 2010 |

Results for Announcement to the Market

| | Percentage change Up or Down | % | \$'000 |
|--|------------------------------------|------|------------|
| Revenue from ordinary activities | Up | 252% | to 1,189 |
| Profit/(loss) from ordinary activities after tax attributable to members | Up | 96% | to (1,128) |
| Profit/(loss) for the period attributable to members | Up | 96% | to (1,128) |

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

| Net Tangible Assets (NTA) | December 2010 | December 2011 |
|----------------------------------|---------------|---------------|
| Net Tangible Assets per security | \$0.10 | \$0.09 |

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

China Magnesium Corporation Limited (CMC) completed an initial public offering (IPO), raising \$12million, and listed on the ASX on 9 November 2010. Hence the half-year ended December 2011 is not readily comparable to the half-year ended December 2010.

The current half-year result includes some small-scale production from the upgraded magnesium plant in Pingyao but the main activity during the period was construction work on the first stage expansion of the magnesium production facility.

On 11 November the Company issued 3,857,142 pursuant to a placement, increasing the shares on issue from 127,160,000 to 131,017,142.

Compliance Statement

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



Tom Blackhurst
Managing Director
Southport QLD
29 February 2012

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China Magnesium Corporation Ltd.

ABN 14 125 236 731

**Interim financial report
for the half-year ended 31 December 2011**

China Magnesium Corporation Limited ABN 14 125 236 731
Interim financial report – 31 December 2011

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Directors' report

Your directors present their report on the consolidated entity consisting of China Magnesium Corporation Limited (Company) and the entities it controlled at the end of, or during, the half-year ended 31 December 2011.

Directors

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

| | |
|-------------|--------------|
| W Bass | T Blackhurst |
| P Robertson | X Liang |

Mr M Clarey, who was appointed a director on 3 July 2008, retired at the Annual General Meeting on 7 October 2011.

Review of operations

During the half-year, the Company;

- achieved practical completion of the upgrade and first phase expansion of the SLMC magnesium plant in Pingyao, Shanxi province, northern China and re-commenced some small-scale production from the upgraded plant;
- entered into an agreement to acquire 100% of the issued shares in Chinese ferrosilicon producer Ningxia Tianjing Tianda Metals Smelting Co Ltd ("NTTMS"). The agreement is conditional upon local regulatory approvals and the acquisition is expected to be completed in March 2012. The purchase price is to be finalised by reference to the net tangible assets of NTTMS and is expected to be approximately \$6,000,000;
- issued 3,857,142 ordinary shares at 35 cents per share, raising \$1,236,686 after costs.

Subsequent to the end of the half-year, the Company, on 23 February 2012, announced that it has agreed to issue 15,216,000 fully paid ordinary shares in CMC, at \$0.30 per share. The placement will raise \$4,564,800 before costs. The funds raised by the placement will be used to complete the acquisition of 100% of the issued shares in Ningxia Tianjing Tianda Metallurgical Smelting Co Ltd (NTTMS).

The placement agreement also provides for the investors to subscribe for a second tranche of 14,285,714 fully paid ordinary shares at \$0.35 which would raise a further \$5 million before costs. The second tranche is subject to shareholder approval, which is expected to occur at or before the next annual general meeting. The funds from the second tranche are expected to assist with securing other acquisition opportunities in the region.

Dividends

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

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



Tom Blackhurst
Managing Director
Southport
29 February 2012

DECLARATION OF INDEPENDENCE BY A J WHYTE TO THE DIRECTORS OF CHINA MAGNESIUM CORPORATION LIMITED

As lead auditor of China Magnesium Corporation Limited for the half-year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- any applicable code of professional conduct in relation to the review.

This declaration is in respect of China Magnesium Corporation Limited and the entities it controlled during the period.

A J Whyte
Director



BDO Audit (QLD) Pty Ltd

Brisbane: 29 February 2012

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Consolidated statement of comprehensive income for the half-year ended 31 December 2011

| | Consolidated Half-year ended | |
|---|---------------------------------|--------------------|
| | 31 Dec 2011 \$ | 31 Dec 2010 \$ |
| Revenue from continuing operations | | |
| Sales | 1,150,597 | 258,732 |
| Interest received | 38,514 | 78,821 |
| | <u>1,189,091</u> | <u>337,553</u> |
| Expenses | | |
| Changes in inventories | (409,976) | (282,204) |
| Purchases of raw materials and consumables | (756,547) | - |
| Auditing and accounting | (69,759) | (61,344) |
| Consulting fees | (110,000) | - |
| Depreciation and amortisation expenses | (78,402) | (79,567) |
| Employee benefits | (683,606) | (367,241) |
| Finance costs | (1,279) | (612) |
| Other expenses | (179,891) | (168,592) |
| Travel expenses | (60,813) | (60,949) |
| Total expenses | <u>(2,350,273)</u> | <u>(1,020,509)</u> |
| Loss before income tax | <u>(1,161,182)</u> | <u>(682,956)</u> |
| Income tax | - | - |
| Loss after tax from continuing operations | <u>(1,161,182)</u> | <u>(682,956)</u> |
| Other comprehensive income | | |
| Foreign currency translation differences | 594,405 | (101,537) |
| Income tax on items of other comprehensive income | - | - |
| Other comprehensive income for the period (net of tax) | <u>594,405</u> | <u>(101,537)</u> |
| Total comprehensive income for the period | <u>(566,777)</u> | <u>(784,493)</u> |
| Loss for the period is attributable to: | | |
| Owners of the parent | (1,128,322) | (576,479) |
| Non-controlling interests | (32,860) | (106,477) |
| | <u>(1,161,182)</u> | <u>(682,956)</u> |
| Total comprehensive income for the period is attributable to: | | |
| Owners of the parent | (589,197) | (607,549) |
| Non-controlling interests | 22,420 | (176,944) |
| | <u>(566,777)</u> | <u>(784,493)</u> |
| Earnings per share | | |
| Basic and diluted earnings/(loss) per share (cents per share) | (0.9) | (0.7) |

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

Consolidated statement of financial position as at 31 December 2011

| | Note | Consolidated | |
|---|------|--------------------------|--------------------------|
| | | 31 Dec 2011 \$ | 30 June 2011 \$ |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 3,365,093 | 4,750,714 |
| Trade and other receivables | | 326,869 | 158,251 |
| Inventories | | 180,698 | 590,674 |
| Other | | 119,368 | 480,238 |
| Total Current Assets | | <u>3,992,028</u> | <u>5,979,877</u> |
| Non-current assets | | | |
| Property, plant and equipment | | <u>8,993,329</u> | <u>5,468,904</u> |
| Total Non-Current Assets | | <u>8,993,329</u> | <u>5,468,904</u> |
| Total assets | | <u>12,985,357</u> | <u>11,448,781</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | | 1,262,667 | 402,576 |
| Provisions | | 17,684 | 11,108 |
| Total Current Liabilities | | <u>1,280,351</u> | <u>413,684</u> |
| Total liabilities | | <u>1,280,351</u> | <u>413,684</u> |
| Net assets | | <u>11,705,006</u> | <u>11,035,097</u> |
| EQUITY | | | |
| Contributed equity | 3 | 13,576,005 | 12,339,319 |
| Reserves | | 650,174 | 111,049 |
| Accumulated losses | | <u>(3,255,430)</u> | <u>(2,127,108)</u> |
| Total equity attributable to owners of the parent | | <u>10,970,749</u> | <u>10,323,260</u> |
| Non-controlling interest | | 734,257 | 711,837 |
| Total equity | | <u>11,705,006</u> | <u>11,035,097</u> |

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

Consolidated statement of changes in equity for the half-year ended 31 December 2011

| | Contributed equity \$ | Accumulated losses \$ | Foreign currency translation reserve \$ | Change of interest in subsidiary reserve \$ | Total \$ | Non- controlling interest \$ | Total equity \$ |
|---|-----------------------------|-----------------------------|---|---|-------------------|---------------------------------------|--------------------|
| At 1 July 2010 | 2,185,350 | (468,619) | (68,401) | - | 1,648,330 | 1,345,025 | 2,993,355 |
| Loss for the half-year | - | (576,479) | - | - | (576,479) | (106,477) | (682,956) |
| Other comprehensive income: | | | | | | | |
| Foreign currency translation difference | - | - | (31,070) | - | (31,070) | (70,467) | (101,537) |
| Total comprehensive income for the half- year | - | (576,479) | (31,070) | - | (607,549) | (176,944) | (784,493) |
| Transactions with owners in their capacity as owners | | | | | | | |
| Issue of shares - IPO | 12,000,000 | - | - | - | 12,000,000 | - | 12,000,000 |
| Cost of share issue | (1,720,587) | - | - | - | (1,720,587) | - | (1,720,587) |
| Adjustment of non- controlling interest upon increasing interest in subsidiary | - | - | (54,662) | 467,979 | 413,317 | (413,317) | - |
| At 31 December 2010 | 12,464,763 | (1,045,098) | (154,133) | 467,979 | 11,733,511 | 754,764 | 12,488,275 |
| At 1 July 2011 | 12,339,319 | (2,127,108) | (356,930) | 467,979 | 10,323,260 | 711,837 | 11,035,097 |
| Loss for the half-year | - | (1,128,322) | - | - | (1,128,322) | (32,860) | (1,161,182) |
| Other comprehensive income: | | | | | | | |
| Foreign currency translation difference | - | - | 539,125 | - | 539,125 | 55,280 | 594,405 |
| Total comprehensive income for the half- year | - | (1,128,322) | 539,125 | - | (589,197) | 22,420 | (566,777) |
| Transactions with owners in their capacity as owners | | | | | | | |
| Issue of shares | 1,350,000 | - | - | - | 1,350,000 | - | 1,350,000 |
| Cost of share issue | (113,314) | - | - | - | (113,314) | - | (113,314) |
| At 31 December 2011 | 13,576,005 | (3,255,430) | 182,195 | 467,979 | 10,970,749 | 734,257 | 11,705,006 |

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

Consolidated statement of cash flows for the half-year ended 31 December 2011

| | Consolidated | |
|---|--------------------|-------------------|
| | Half-year ended | |
| | 31 Dec 2011 | 31 Dec 2010 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from customers | 1,153,284 | 246,070 |
| Payments to suppliers and employees | (1,638,895) | (974,673) |
| Interest received | 38,455 | 71,741 |
| Interest and other costs of finance paid | (1,281) | (612) |
| Net cash inflow/(outflow) from operating activities | <u>(448,437)</u> | <u>(657,474)</u> |
| Cash flows from investing activities | | |
| Purchase of plant and equipment | (2,239,618) | (73,668) |
| Net cash inflow/(outflow) from investing activities | <u>(2,239,618)</u> | <u>(73,668)</u> |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | 1,350,000 | 12,000,000 |
| Share issue costs | (113,314) | (1,720,587) |
| Net cash inflow/(outflow) from financing activities | <u>1,236,686</u> | <u>10,279,413</u> |
| Net decrease in cash and cash equivalents | (1,451,369) | 9,548,271 |
| Cash and cash equivalents at the beginning of the period | 4,750,714 | 1,157,340 |
| Effects of exchange rate changes on the balances of cash held in foreign currencies | 65,748 | (3,484) |
| Cash and cash equivalents at the end of the period | <u>3,365,093</u> | <u>10,702,127</u> |

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

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and any public announcements made by China Magnesium Corporation Limited (the company) during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2011 annual financial report. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

The financial statements have been prepared on a going concern basis. Management have analysed estimated future cash requirements and the Group has sufficient funds to complete the upgrade and first phase expansion.

The Group is in discussions with bankers in China and expects to be able to secure a line of credit of up to RMB90,000,000 (AUD 13,120,000) for working capital, phase two expansion and to fund the purchase of the Baiyun dolomite quarry once conditions-precedent for that purchase are satisfied.

The Company is in the process of raising equity funding to complete the purchase of 100% of the issued shares in Chinese ferrosilicon producer Ningxia Tianjing Tianda Metals Smelting Co Ltd ("NTTMS").

2. Segment reporting

The group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. Operating segments are determined on the basis of financial information reported to the board which is at the group level.

Accordingly, management currently identifies the Group as having only one reportable segment, being the processing and sale of magnesium. There have been no changes in the operating segments during the half-year. All significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the consolidated entity as a whole.

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3. Contributed equity

During the half-year the company issued 3,857,142 (2010: 48,000,000) ordinary shares at 35 cents per share (2010: 25 cents) in a private placement raising \$1,350,000 before costs of \$113,314 (2010: Capital raised \$12,000,000, costs \$1,846,031).

4. Contingencies and Commitments

The Group had a capital commitment at 31 December 2011 in respect of the purchase price of \$780,000 (RMB5,000,000) less a refundable option fee of \$46,800 (RMB300,000) under a conditional contract for the purchase of the Baiyun quarry in Shanxi province of northern China. The quarry provides dolomite to the Group for magnesium production and to other customers, including those in the steel industry. Settlement of the acquisition is expected to occur in the first half of 2012 subject to satisfaction of conditions precedent in relation to the transfer and extension of various statutory permits.

The Group had a capital commitment at 31 December 2011 in respect of the purchase price of 100% of the issued shares in Chinese ferrosilicon producer Ningxia Tianjing Tianda Metals Smelting Co Ltd ("NTTMS"). The agreement is conditional upon local regulatory approvals and the acquisition is expected to be completed in March 2012. The purchase price is to be finalised by reference to the net tangible assets of NTTMS and is expected to be approximately \$6,000,000.

| | Consolidated | |
|--|---------------------|---------------------|
| | 31 Dec 2011 | 30 June 2011 |
| | \$ | \$ |
| The Group had the following additional commitments for capital expenditure items at the end of the period: | | |
| Expected to be paid within one year | 453,000 | 2,146,932 |
| Expected to be paid later than one year | - | - |
| Total | 453,000 | 2,146,932 |

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

5. Subsequent Events

On 23 February 2012 the Company announced that it has agreed to issue 15,216,000 fully paid ordinary shares in CMC, at \$0.30 per share. The placement will raise \$4,564,800 before costs.

The funds raised by the placement will be used to complete the acquisition of 100% of the issued shares in Ningxia Tianjing Tianda Metallurgical Smelting Co Ltd (refer to CMC's announcement to the Australian Securities Exchange dated 8 November 2011). CMC and representatives of the vendor are currently seeking the necessary regulatory approvals to enable completion, which is expected to be during March 2012.

The placement agreement also provides for the investors to subscribe for a second tranche of 14,285,714 fully paid ordinary shares at \$0.35 which would raise a further \$5 million before costs. The second tranche is subject to shareholder approval, which is expected to occur at or before the next annual general meeting. The funds from the second tranche are expected to assist with securing other acquisition opportunities in the region.

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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 31 December 2011 and the performance for the half-year ended on that date of the consolidated entity; and
 - ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Tom Blackhurst
Managing Director

Southport
29 February 2012

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of China Magnesium Corporation Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of China Magnesium Corporation Limited, which comprises the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of China Magnesium Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of China Magnesium Corporation Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (QLD) Pty Ltd

BDO

A J Whyte

Director

Brisbane: 29 February 2012

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