



China Magnesium Corporation Ltd.

Appendix 4D

| | |
|--|-------------------------------------|
| Name of Entity: | China Magnesium Corporation Limited |
| ABN: | 14 125 236 731 |
| Current Financial Period Ended: | Half-Year ended 31 December 2012 |
| Previous Corresponding Reporting Period | Half-Year ended 31 December 2011 |

Results for Announcement to the Market

| | Percentage change Up or Down | % | | \$'000 |
|--|------------------------------------|-----|----|---------|
| Revenue from ordinary activities | Down | 87% | to | 155 |
| Profit/(loss) from ordinary activities after tax attributable to members | Down | 2% | to | (1,106) |
| Profit/(loss) for the period attributable to members | Down | 2% | to | (1,106) |

| 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 2012 | December 2011 |
|----------------------------------|---------------|---------------|
| Net Tangible Assets per security | \$0.08 | \$0.09 |

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

Compliance Statement

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



Tom Blackhurst
Managing Director
Southport QLD
26 February 2013

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ABN 14 125 236 731

**Interim financial report
for the half-year ended 31 December 2012**

China Magnesium Corporation Limited ABN 14 125 236 731
Interim financial report – 31 December 2012

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Directors' report

Your directors present their report on the consolidated entity consisting of China Magnesium Corporation Limited (the Company) and the entities it controlled at the end of, or during, the half-year ended 31 December 2012.

Directors

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

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

Review of operations

During the half-year, the Company;

- Re-commenced magnesium production.
- Executed an agreement for lease of an additional 90Mu (60,000 M²) of land adjacent to the existing Pingyao magnesium plant located at Pingyao, Shanxi Province, Northern China ("Plant"). The lease runs until 2061. The land has its own water bore, which will provide sufficient water to meet the Plant's requirements up to a production capacity of 105ktpa.
- Continued to progress the acquisition of 100% of the issued shares in Chinese ferrosilicon producer Ningxia Tianjing Tianda Metals Smelting Co Ltd ("NTTMS").
- Signed a memorandum of understanding, on 3 December 2012, for a share placement and co-operation with Shen Zhen Te Ji Industry Co.,Ltd, ("SZTJI") a property and investment conglomerate incorporated in China.

The memorandum provides for SZTJI to subscribe for shares in the Company to the value of RMB30 million (approximately A\$4.5 million), at A\$0.35 per share. This equates to approximately 12.8 million shares or 8.1% of the post-issue capital. The additional equity funding is being sought to expand the Group's operations within China and develop opportunities in other regions

The MOU further provides that SZTJI, as a significant shareholder, will assist the Company in the development of its business interests, both inside and outside China, and that SZTJI will provide assistance to the Company by way of introductions, information and advice to the Company to advance the Company's operations and profitability for the mutual benefit of both parties.

The Company does not expect to complete the placement of shares before April 2013.

- Issued 1,319,735 ordinary shares on 3 July 2012 at \$0.30 per share raising \$395,920 before costs.

Dividends

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

Directors' report (Continued)

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
26 February 2013

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

As lead auditor of China Magnesium Corporation Limited for the half-year ended 31 December 2012, 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 half- year.



A Whyte

Director

BDO Audit Pty Ltd

Brisbane, 26 February 2013

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Consolidated statement of comprehensive income for the half-year ended 31 December 2012

| | Consolidated Half-year ended | |
|---|---------------------------------|--------------------|
| | 31 Dec 2012 \$ | 31 Dec 2011 \$ |
| Revenue from continuing operations | | |
| Sales | 126,979 | 1,150,577 |
| Interest received | 27,803 | 38,514 |
| | <u>154,782</u> | <u>1,189,091</u> |
| Expenses | | |
| Changes in inventories | 167,737 | (409,976) |
| Purchases of raw materials and consumables | (363,645) | (756,547) |
| Auditing and accounting | (37,800) | (69,759) |
| Consulting fees | (120,000) | (110,000) |
| Depreciation and amortisation expenses | (126,593) | (78,402) |
| Employee benefits | (602,880) | (683,606) |
| Finance costs | (9,146) | (1,279) |
| Other expenses | (128,048) | (179,891) |
| Travel expenses | (70,247) | (60,813) |
| Total expenses | <u>(1,290,622)</u> | <u>(2,350,273)</u> |
| Loss before income tax | <u>(1,135,840)</u> | <u>(1,161,182)</u> |
| Income tax | - | - |
| Loss after tax from continuing operations | <u>(1,135,840)</u> | <u>(1,161,182)</u> |
| Other comprehensive income that will be reclassified to profit or loss | | |
| Foreign currency translation differences | (238,249) | 594,405 |
| Income tax on items of other comprehensive income | - | - |
| Other comprehensive income for the period (net of tax) | <u>(238,249)</u> | <u>594,405</u> |
| Total comprehensive income for the period | <u>(1,374,089)</u> | <u>(566,777)</u> |
| Loss for the period is attributable to: | | |
| Owners of the parent | (1,105,798) | (1,128,322) |
| Non-controlling interests | (30,042) | (32,860) |
| | <u>(1,135,840)</u> | <u>(1,161,182)</u> |
| Total comprehensive income for the period is attributable to: | | |
| Owners of the parent | (1,321,241) | (589,197) |
| Non-controlling interests | (52,848) | 22,420 |
| | <u>(1,374,089)</u> | <u>(566,777)</u> |
| Earnings per share | | |
| Basic and diluted earnings/(loss) per share (cents per share) | (0.8) | (0.9) |

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 2012

| | Note | Consolidated | |
|---|------|--------------------------|--------------------------|
| | | 31 Dec 2012 \$ | 30 June 2012 \$ |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 4,153,928 | 5,726,387 |
| Trade and other receivables | | 559,519 | 474,996 |
| Inventories | | 365,466 | 197,729 |
| Other | | 174,010 | 82,865 |
| Total Current Assets | | <u>5,252,923</u> | <u>6,481,977</u> |
| Non-current assets | | | |
| Property, plant and equipment | | <u>10,384,216</u> | <u>10,245,363</u> |
| Total Non-Current Assets | | <u>10,384,216</u> | <u>10,245,363</u> |
| Total assets | | <u>15,637,139</u> | <u>16,727,340</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | | 1,703,966 | 2,409,689 |
| Borrowings | | 765,000 | 157,500 |
| Provisions | | 23,436 | 22,285 |
| Total Current Liabilities | | <u>2,492,402</u> | <u>2,589,474</u> |
| Total liabilities | | <u>2,492,402</u> | <u>2,589,474</u> |
| Net assets | | <u>13,144,737</u> | <u>14,137,866</u> |
| EQUITY | | | |
| Contributed equity | 3 | 17,324,720 | 16,943,760 |
| Reserves | | 542,869 | 758,312 |
| Accumulated losses | | (5,347,276) | (4,241,478) |
| Total equity attributable to owners of the parent | | <u>12,520,313</u> | <u>13,460,594</u> |
| Non-controlling interest | | 624,424 | 677,272 |
| Total equity | | <u>13,144,737</u> | <u>14,137,866</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 2012

| | Contributed equity \$ | Accumulated losses \$ | Foreign currency translation reserve \$ | Change of interest in subsidiary reserve \$ | Total \$ | Non- controlling interest \$ | Total equity \$ |
|---|-----------------------------|-----------------------------|---|---|--------------------|---------------------------------------|--------------------|
| 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 |
| At 1 July 2012 | 16,943,760 | (4,241,478) | 239,382 | 518,930 | 13,460,594 | 677,272 | 14,137,866 |
| Loss for the half-year | - | (1,105,798) | - | - | (1,105,798) | (30,042) | (1,135,840) |
| Other comprehensive income: | | | | | | | |
| Foreign currency translation difference | - | - | (215,443) | - | (215,443) | (22,806) | (238,249) |
| Total comprehensive income for the half- year | - | (1,105,798) | (215,443) | - | (1,321,241) | (52,848) | (1,374,089) |
| Transactions with owners in their capacity as owners | | | | | | | |
| Issue of shares | 395,920 | - | - | - | 395,920 | - | 395,920 |
| Cost of share issues | (14,960) | - | - | - | (14,960) | - | (14,960) |
| At 31 December 2012 | 17,324,720 | (5,347,276) | 23,939 | 518,930 | 12,520,313 | 624,424 | 13,144,737 |

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 2012

| | Consolidated | |
|---|--------------------|--------------------|
| | Half-year ended | |
| | 31 Dec 2012 | 31 Dec 2011 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from customers | 126,954 | 1,153,284 |
| Payments to suppliers and employees | (1,669,645) | (1,638,895) |
| Interest received | 27,802 | 38,455 |
| Interest and other costs of finance paid | (1,722) | (1,281) |
| Net cash inflow/(outflow) from operating activities | <u>(1,516,611)</u> | <u>(448,437)</u> |
| Cash flows from investing activities | | |
| Purchase of plant and equipment | (706,685) | (2,239,618) |
| Net cash inflow/(outflow) from investing activities | <u>(706,685)</u> | <u>(2,239,618)</u> |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | - | 1,350,000 |
| Share issue costs | (14,961) | (113,314) |
| Proceeds from borrowings | 603,956 | - |
| Net cash inflow/(outflow) from financing activities | <u>588,995</u> | <u>1,236,686</u> |
| Net decrease in cash and cash equivalents | (1,634,301) | (1,451,369) |
| Cash and cash equivalents at the beginning of the period | 5,726,387 | 4,750,714 |
| Effects of exchange rate changes on the balances of cash held in foreign currencies | 61,842 | 65,748 |
| Cash and cash equivalents at the end of the period | <u>4,153,928</u> | <u>3,365,093</u> |

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

Notes to the consolidated financial statements

1. Significant accounting policies

Statement of compliance

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

Basis of preparation

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

The 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 2012 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. The Directors are confident that the Group will be able to secure sufficient funds for working capital.

The Group has received confirmation from its bankers in China that a line of credit of RMB30,000,000 (AUD 4,580,000) will be made available in March 2013.

The Company has also signed a Memorandum of Understanding which includes a proposed issue of shares in the Company at \$0.35 per share raising RMB 30,000,000 (AUD 4,580,000) before costs. The Company does not expect to complete the issue the shares before April 2013.

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.

Notes to the consolidated financial statements (Continued)

3. Contributed equity

During the half-year, on 3 July 2012, the company issued 1,319,735 (2011: 3,857,142) ordinary shares at 30 cents per share (2011: 35 cents) raising \$395,920 before costs of \$14,961 (2011: Capital raised \$1,350,000, costs \$113,314).

4. Contingencies and Commitments

The Group had a capital commitment at 31 December 2012 in respect of the purchase price of 100% of the issued shares in Chinese ferrosilicon producer Ningxia Tianjing Tianda Metals Smelting Co Ltd ("NTTMS"). However, the Group is not obliged to complete the transaction.

The acquisition of NTTMS is pending an updated due diligence review by the Company to account for the time elapsed since the original agreement was struck in November 2011.

Both the vendor and the Company still intend to proceed with the acquisition (subject to satisfactory completion of the due diligence review). Although the Company is currently making preparations to complete the acquisition before the end of April, it will advise the market as to the expected timing of completion when it has sufficient clarity in this regard. The purchase price is to be finalised by reference to the net tangible assets of NTTMS on the date of settlement and is expected to be approximately \$6,000,000.

| | Consolidated | |
|--|---------------------|---------------------|
| | 31 Dec 2012 | 30 June 2012 |
| | \$ | \$ |
| The Group had the following additional commitments for capital expenditure items at the end of the period: | | |
| Expected to be paid within one year | 1,024,708 | 623,607 |
| Expected to be paid later than one year | - | - |
| Total | <u>1,024,708</u> | <u>623,607</u> |

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

5. Subsequent Events

On 1 February 2013 the Group received confirmation from its bankers in China that a line of credit of RMB30,000,000 (AUD 4,580,000) will be made available during the first week commencing 4 March 2013.

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 2012 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
26 February 2013

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of China Magnesium Corporation Limited

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 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and 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 disclosing entity's financial position as at 31 December 2012 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 review report.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of 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 2012 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 Pty Ltd

BDO



Anthony Whyte

Director

Brisbane, 26 February 2013

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