



28 October 2019

The Manager Companies
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

(69 pages by email)

Dear Sir/Madam

ANNUAL REPORT AND NOTICE OF AGM

In accordance with Listing Rule 4.7 and 3.17, I attach the Company's Annual Report for the year ended 30 June 2019 and the Company's Notice of Annual General Meeting to be held at 10 am (Singapore time / AWST) on 29 November 2019.

Yours sincerely
Marcelo Mora
Company Secretary

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China Magnesium Corporation Limited

ABN 14 125 236 731

Annual Report
For the year ended 30 June 2019

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That Corporate Governance statement can be found at <http://www.chinamagnesiumcorporation.com/investor-centre/corporate-governance>

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

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

The Pingyao magnesium plant (owned by SYMC, with CMC holding a 91.25% interest in SYMC) continued to be subject to changing environmental control restrictions brought about by continual changes in regulations in China since 2017. As a result, on 6 August 2019 CMC announced to ASX that it had signed a Sales & Purchase Agreement with China-based Worldcom Parkway International Trade (Tianjin) Co. Ltd for the disposal of SYMC for RMB1,000,000 subject to all relevant approvals being obtained (including approval by CMC shareholders as required by Listing Rule 11.2). A general meeting of the shareholders will be held in Singapore on 23 October 2019 at 10.00 am Singapore time.

CMC's Directors believe the consideration of approximately \$208,000 (RMB 1M) to be received under the Sales and Purchase Agreement is reasonable after taking into account the recoverable amount. The impairment of \$5.8M shown in the Statement of Profit and Loss has been based on this consideration and booked into the Profit and Loss for the period 30 June 2019. This has been allocated to the Plant & Equipment in the pro forma financial position below, which reduces its carrying amount from \$14.5M to \$8.7M. In addition, the Group impaired an outstanding receivable of \$2.6M (RMB15M).

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

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

On 4 June 2019 as part of the novation arrangements agreed with SWSI, SWI and CMC, SWSI novated its rights and obligations under the 7 March 2019 Agreement to Sovran White (Singapore) Logistics Pte Ltd (SWL) and CMC acquired 21.43% of SWL. Refer to the CEO's report for further details.

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

Commentary on Results

Refer attached Chief Executive Officer's report

Dividends

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

Compliance Statement

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



Jin Thean (Jason) Teoh
Chief Executive Officer

Date: 30 September 2019

China Magnesium Corporation Limited and its subsidiaries

Chief Executive Officer's Report – 30 June 2019

Dear Shareholders

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

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

CMC's Board has been monitoring the situation closely and decided that, given these uncertainties and difficulties, to take the much needed bold but critical action and in our opinion the best course of action and dispose of SYMC. As announced to ASX on 6 August 2019, CMC has signed a Sales & Purchase Agreement with China-based Worldcom Parkway International Trade (Tianjin) Co. Ltd to sell its interest in SYMC for RMB1,000,000 subject to all relevant approvals being obtained. A general meeting of the shareholders will be held in Singapore on 23 October 2019 at 10.00 am Singapore time.

Financial summary

The Group has recorded an impairment of \$8.4M in relation to SYMC, contributing to the net loss after tax of \$12.2M in 2019 compared with a loss of \$3.1M in 2018.

Pingyao update

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

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

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

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

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

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

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

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

China Magnesium Corporation Limited and its subsidiaries

Chief Executive Officer's Report – 30 June 2019

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

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

Lithium tenements

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

Orchard & Plantation Project Joint Venture

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

On 3 September 2018, the White Group Pte Ltd (**WG**), a Singapore multinational controlled by Mr Peh Chin Hua, assigned (WG Assignment Agreement) its rights in the orchard project to Sovran White International Pte Ltd (**SWI**) (which is 50:50 - owned by Michael ET Chan and Mr Peh Chin Hua of **WG**).

SWSI was (through an assignment from SWI) a party to a joint venture agreement over 400km² of existing orchards in Yiyuan County, Shandong Province China with Shandong Luzhong Hi-tech Park Development Co. Ltd (**SLHD**) (a state-owned company in PRC). Under their joint venture agreement:

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

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

On 4 June 2019 CMC, SWI and SWSI agreed as part of the novation arrangements that SWSI's rights and obligations under the 7 March 2019 Agreement would be novated to Sovran White (Singapore) Logistics Pte Ltd (**SWL**) (which through the novation arrangements would be owned 78.57%- by SWI and 21.43% by CMC).

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

Commodities and General Trading

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

China Magnesium Corporation Limited and its subsidiaries

Chief Executive Officer's Report – 30 June 2019

Working capital and Placements

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

The Group funding needs are uncertain until shareholders' approve the sale of SYMC at a general meeting of the shareholders which will be held in Singapore on 23 October 2019 at 10.00 am Singapore time.

Rights and options raising

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

Going concern

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

- a) the sale of CMC's interest in SYMC;
- b) access to funding from further capital raisings;
- c) management services revenue commencing in the last quarter 2019 from the plantation associate, SW Singapore.
- d) cashflow and profits arising from trading operations.

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

Looking forward

The Company is considering undertaking new business undertakings, which at the date of the report remain in-conclusive, non-binding and confidential. The Company will appoint a Corporate Adviser to assist the Company in assessing new potential opportunities and assisting with execution in new business undertakings (subject to requisite shareholder and regulatory approvals) and any re-compliance process required.

Yours sincerely,



Jin Thean (Jason) Teoh
Chief Executive Officer

China Magnesium Corporation Limited and its subsidiaries

Directors' Report – 30 June 2019

The Directors present their report, together with the consolidated financial statements of the Group, comprising China Magnesium Corporation Limited ('CMC' or 'the Company'), and its controlled entities for the financial year ended 30 June 2019 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

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

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

Director since 4 May 2007

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

Director since 26 February 2019

Marcelo Mora holds a Bachelor of Business degree from the University of Western Sydney (UWS) and 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 is also the Company Secretary of CMC and Non Executive Director of public listed company GPS Alliance Holdings Limited.

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

China Magnesium Corporation Limited and its subsidiaries

Directors' Report – 30 June 2019

Antony Roy Tolfts – Non Executive Director

Director since 18 March 2019

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

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

Thomas Blackhurst

Director since 4 May 2017 – resigned 28 February 2019

Mr Blackhurst co-founded the Company in May 2007 with Messrs Xiping Liang, Ming Li and Guicheng Jia. He has more than 30 years experience in building new businesses and consulting to various businesses in Australia and Asia. Beginning his career in metals trading, he later embarked upon various other successful entrepreneurial ventures

Peter Robertson BE (Met), MBA

Director since 3 July 2008 – resigned 25 January 2019

Mr Robertson is an Australian metallurgical engineer with more than 30 years of experience in mineral processing, smelting and rolling of aluminium and developing new technologies for the recycling of aluminium waste material. Over the past 24 years, Mr Robertson has been involved in the manufacture and supply of consumables and consulting services to the aluminium cast house industry through his role as General Manager of Leymont Pty Ltd

William Bass B.Econ, CA, FGIA, FInstIB, MAICD, JP (Qual)

Director since 15 February 2010 – resigned 1 April 2019

Mr Bass is a director and senior executive with extensive experience with international and Australian public, private and not for profit businesses. His predominant focus is on business strategy, financial stewardship, business acquisitions, governance and business re-engineering

Company secretary

Marcelo Mora

Company Secretary since 26 February 2019

Marcelo Mora holds a Bachelor of Business degree from the University of Western Sydney (UWS) and 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

Damien Kelly

Company Secretary since 1 February 2011 – resigned 26 February 2019

Mr Damien Kelly MBA, BCom, FFINSIA, CPA, is a founding director of corporate advisory firm, Western Tiger Corporate Advisers. He has broad corporate and commercial experience spanning more than 15 years, providing professional services to ASX and AIM listed companies predominantly in the mining and energy sector.

China Magnesium Corporation Limited and its subsidiaries

Directors' Report – 30 June 2019

Meetings of directors

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	A	B	C	D	E	F
Jason Teoh	8	8	1	1	-	-
X Liang	19	21	3	3	-	-
M Mora	4	4	-	-	-	-
A Tolfts	2	2	-	-	-	-
T Blackhurst	16	18	2	3	1	1
W Bass	21	21	3	3	1	1
P Robertson	4	12	2	2	-	-

- A: Director Meetings attended
 B: Director Meetings held during the year
 C: Audit Committee Meetings attended
 D: Audit Committee Meetings held during the year
 E: Nomination and Remuneration Committee Meetings attended
 F: Nomination and Remuneration Committee Meetings held during the year

DIRECTORS' INTERESTS

Directors' beneficial shareholdings at the date of this report are:

Director	Fully paid Ordinary Shares	Options over Ordinary Shares
Jason Teoh	-	-
X Liang	34,435,730	-
M Mora	-	-
A Tolfts	-	-

OPTION HOLDINGS

Options granted to directors' and officers'

The Company did not grant any options over unissued ordinary shares during or since the end of the financial year to directors as part of their remuneration. The Directors do not hold any options over unissued shares at the date of this report nor did they hold any at the reporting date

The Company has not granted any options over unissued ordinary shares during or since the end of the financial year to officers as part of their remuneration.

Unissued shares under option

At the date of this report, the Company has no options on issue over ordinary shares (2018: nil options).

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China Magnesium Corporation Limited and its subsidiaries

Directors' Report – 30 June 2019

Principal activities

The principal continuing activities of the Group during the year were:

- The Pingyao magnesium plant continued to be overwhelmed with environmental control restrictions brought about by continual changes in regulations in China; As announced to the ASX on 6 August 2019, CMC has entered into a conditional sales agreement. Please refer to CEO report for details.
- CMC has negotiated some commodity-based trades and anticipate overall trading activities to increase through time.
- The Company's associate, CMC Lithium Pty Ltd conducted a Laterite Surface Sampling program and commenced an aircore drilling program during May 2019; and
- On 7 March 2019, CMC entered into a share sale and purchase agreement relating to the Orchard and Plantation project. Further details provided in the CEO report.

Financial Results

The consolidated loss after income tax attributable to members of the Company for the year was \$12,229,130 (2018: \$3,100,137 loss).

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 2019 are set out in the financial statements following page 15 of this annual report. Significant results include:

	Consolidated	
	2019	2018
	\$	\$
Revenues	1,267,987	26,092
Net (loss) before tax	(12,229,130)	(3,100,137)
Net (loss) after tax	(12,229,130)	(3,100,137)

During the year the Company produced 287 kg MgLi alloy (2018: Nil), no semi-coke (2018: Nil), no calcium metal (2018: Nil), and no tar oil (2018: Nil) from the Group's Pingyao operation. The Pingyao plant has been affected by the uncertainties of the environmental control measures imposed by the Chinese authorities since 2017.

Hence, the impairment of \$5.8M on SYMC net assets during the year has been based on the consideration of \$207,658 (RMB 1M) negotiated in the conditional Sales and Purchase Agreement. Also, the Company impaired a receivable of \$2.6M (RMB 15M) in relation to a financial asset (Note 1(p) and Note 25).

During the year, the Group negotiated some commodity-based trading with a total revenue of around \$1.17 million; earned \$5,000 monthly management fee from CMC Lithium Pty Ltd (40% associate) till April 2019; earned \$5,000 monthly administrative fee from Sovran White (Singapore) Logistics Company Pte Ltd (21.43% associate) from March 2019.

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 - 4 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 2019 were as follows:

- On 18 October 2018, the Company announced a non-renounceable rights issue of ordinary shares on the basis of 1 new share for every two shares held at an issue price of \$0.05 per share. A total of 97,541,522 shares and 97,541,522 options were issued, raising up to \$4.87 M in cash before costs.
- On 29 October 2018, the Company signed a non-binding heads of agreement with Sovran White International Pte Ltd. This has been replaced by the Management Service Agreement announced in March 2019.
- On 29 January 2019, Mr Jin Thean (Jason) Teoh was appointed as Executive Director (Chief Executive Officer) of China Magnesium.
- On 26 February 2019, Mr Marcelo Mora was appointed as Non-Executive Director and Company secretary of the Company and on 28 February 2019, Mr Tom Blackhurst retired as Director of the Company.
- Following the announcement made on 29 October 2018, the Company on the 8 March 2019, executed a Management Service Agreement to acquire 21.43% of Sovran White (Shandong) International Logistics Company Limited (SWSI). (In June 2019, SWSI novated its rights and obligations to Sovran White (Singapore) International Logistics Pte Ltd)
- On 18 March 2019, Mr Antony Tolfts was appointed as Non-Executive Director of the Company
- On 1 April 2019, Mr William Bass resigned as Non-Executive Director of the Company

Events subsequent to the end of the financial year

As announced to the ASX on 6 August 2019, CMC has entered into a Sales and Purchase Agreement with Worldcom Parkway International Trade (Tianjin) Co. Ltd, to sell its 91.25% interest in SYMC, subject to all relevant conditions (including approval by CMC shareholders) being satisfied or waived by no later than 29 February 2020 (or other dates as mutually agreed) for RMB 1 million. CMC has proceeded to next steps and relevant conditions to be satisfied are in progress. A general meeting of the shareholders will be held in Singapore on 23 October 2019 at 10.00 am Singapore time.

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

CMC anticipate overall commodities trading to increase through time. Also, the export trading of fruit produce is expected to commence soon.

Additional comments on expected results of certain operations of the Company are included in this annual report under the CEO's Report on pages 2 – 4 of this annual report.

Environmental regulation

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

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

China Magnesium Corporation Limited and its subsidiaries

Directors' Report – 30 June 2019

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 China Magnesium Corporation Limited Group's key management personnel.

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.

The Nomination & Remuneration Committee 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.

All executives have detailed job descriptions with identified key performance indicators against which reviews are compared in relationship between the benefits contained in the employment agreement and the Group's performance in the 2019 financial year.

Remuneration for certain individuals is directly linked to performance of the Group. Bonus payments are dependent on key criteria, being EBITDA. During the year the Group has generated losses in its principal activity of production and distribution of magnesium, semi coke, tar oil and other industrial products.

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 2019 the share price was \$0.011 (2018: \$0.019), representing a market capitalisation of \$5.0 million (2018 : \$6.0 million). There has been no share-based remuneration.

Year	2015	2016	2017	2018	2019
Share price at year end	0.045	0.015	0.011	0.019	0.011
Net (loss) \$'000	(3,325)	(2,022)	(987)	(3,100)	(11,142)
EPS	(1.7)	(1.1)	(0.3)	(1.0)	(2.8)
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.

China Magnesium Corporation Limited and its subsidiaries

Directors' Report – 30 June 2019

Remuneration report – Audited (Continued)

Executive pay and benefits

Executive payments currently consist of consultancy payments to the executive directors and base salary plus statutory superannuation, if applicable, for other executives. 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 2019 (2018 - Nil).

Details of remuneration

2019

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

*Subsequent to retirement/resignation, these directors continued to serve the Company in other capacities.

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

2018

Name	Short term benefits		Post-employment benefits	Long Term Benefits	Termination Benefits	Total
	Cash Salary and fees	Other	Super-annuation			
	\$	\$	\$	\$	\$	\$
Non-executive directors						
W Bass	122,551	-	12,117	-	-	134,668
P Robertson	47,924	-	4,576	-	-	52,500
Executive directors						
T Blackhurst	500,000	-	-	-	-	500,000
X Liang	470,000	-	-	-	-	470,000
Other key management personnel						
Nil	-	-	-	-	-	-
Total	1,140,475	-	16,693	-	-	1,157,168

China Magnesium Corporation Limited and its subsidiaries

Directors' Report – 30 June 2019

Remuneration report – Audited (Continued)

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:

Name	Term of agreement	Base salary / consulting fee including any superannuation	Termination benefit *
T Blackhurst <i>Managing Director</i>	Consulting through Orient Pacific Consultants Pte Ltd for 5 years commencing 1 November 2013 and concluding 31 October 2018., with no updated agreement Bonus per Remuneration Committee approval of: Short term incentive: 0 – 40% Long term incentive: 0 – 90% Critical acquisition: 0 – 40% Non-solicitation and non-compete clauses	\$500,000	12 months' fee
XP Liang <i>Chief Operating Officer</i>	Consulting through Singapore Energy and Equipment Investment Pte Ltd for 5 years commencing 1 November 2013 and concluding 31 October 2018, with no updated agreement Bonus per Remuneration Committee approval of: Short term incentive: 0 – 40% Long term incentive: 0 – 90% Critical acquisition: 0 – 40% Non-solicitation and non-compete clauses.	\$470,000	12 months' fee
Jin Thean (Jason) Teoh <i>Executive Director /CEO</i>	Consulting through Xoro Capital Pte Ltd for 3 years commencing 28 January 2019 and concluding 31 January 2022. Bonus per Remuneration Committee approval of: Short term incentive: 0 – 40% Long term incentive: 0 – 90% Critical acquisition: 0 – 60% Non-solicitation and non-compete clauses.	\$240,000	12 months' fee

*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 of China Magnesium Corporation Limited 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 (2018: Nil).

Key management personnel	Held at 30 June 2018	Purchases	Sales	Other	Held at 30 June 2019
W Bass *	2,431,414	-	-	(2,431,414)	-
T Blackhurst *	46,379,404	-	-	(46,379,404)	-
X Liang	34,435,730	-	-	-	34,435,730
P Robertson *	4,863,124	-	-	(4,863,124)	-
Jason Teoh	-	-	-	-	-
Marcelo Mora	-	-	-	-	-
Antony Tolfts	-	-	-	-	-
Mr ET Chan **	-	50,000,000	-	460,000	50,460,000

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

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

There were no options granted during the reporting year as compensation (2018: Nil).

Other transactions with key management personnel

Transactions between key management personnel and related entities within the Group during the year amounted to around \$1.25M as disclosed in Note 23. (2018: Nil).

END OF AUDITED REMUNERATION REPORT

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

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

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
Brisbane
30 September 2019

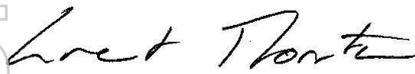
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Auditor's Independence Declaration

To the Directors of China Magnesium Corporation Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of China Magnesium Corporation Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of 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.



Grant Thornton Audit Pty Ltd
Chartered Accountants



A F Newman
Partner – Audit & Assurance

Brisbane, 30 September 2019

Grant Thornton Audit Pty Ltd ACN 130 913 594
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China Magnesium Corporation Limited and its subsidiaries
Consolidated Financial Statements – 30 June 2019

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

	Note	Consolidated	
		2019	2018
		\$	\$
Revenue	5	1,252,243	26,092
Other income	5	24,026	267,836
		<u>1,276,269</u>	<u>293,928</u>
Gain from loss of control of subsidiary		-	690,000
Gain on derecognition of liability		-	386,800
Impairment - Quarry		-	(665,250)
Impairment – Plant & equipment	6	(5,808,871)	(1,739,840)
Impairment – Financial asset	6	(2,587,137)	-
Loss on termination of lease - Right of use asset	6	(102,196)	-
Gain on derecognition of lease liability	6	118,839	-
Allowance for expected credit loss	6	(775,206)	-
Share of profit/(loss) of associate	8	(107,750)	(54,748)
Decommissioning expense		-	(87,266)
Costs of raw materials and consumables		(1,021,731)	(24,591)
Auditing and accounting expenses		(135,043)	(116,851)
Depreciation and amortisation	6	(579,472)	(386,934)
Employee benefits		(1,511,723)	(1,555,940)
Finance costs		(105,677)	(138,320)
Foreign exchange gain/(loss)		(313,976)	747,068
Lease interest		(44,464)	(14,502)
Amortisation on right of use assets		(167,331)	(56,533)
Other expenses		(273,045)	(351,782)
Travel		(90,616)	(25,375)
Total expenses		<u>(13,505,399)</u>	<u>(4,084,065)</u>
Loss before income tax		(12,229,130)	(3,100,137)
Income tax benefit		-	-
Loss for the year		(12,229,130)	(3,100,137)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation differences		(21,037)	57,805
Income tax on items of other comprehensive income		-	-
Other comprehensive income for the year (net of tax)		(21,037)	57,805
Total comprehensive income for the year		(12,250,167)	(3,042,332)
Loss for the year is attributable to:			
Owners of the parent		(11,615,172)	(2,735,658)
Non-controlling interests		(613,958)	(364,479)
		<u>(12,229,130)</u>	<u>(3,100,137)</u>
Total comprehensive income for the year is attributable to:			
Owners of the parent		(11,633,489)	(2,683,970)
Non-controlling interests		(616,678)	(358,362)
		<u>(12,250,167)</u>	<u>(3,042,332)</u>
Earnings per share		Cents	Cents
Basic earnings/(loss) per share for the year	27	(3.1)	(1.0)
Diluted earnings/(loss) per share for the year	27	(3.1)	(1.0)

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

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

Consolidated statement of financial position as at 30 June 2019

	Note	2019 \$	2018 \$
ASSETS			
Current assets			
Cash and cash equivalents	9	295,056	1,043,615
Trade and other receivables	10	1,189,798	954,319
Inventories	11	80,633	80,267
Total Current Assets		1,565,487	2,078,201
Non-current assets			
Prepayments	12	218,914	2,607,120
Property, plant and equipment	14	8,715,856	14,697,503
Right of use assets	13	381,490	144,596
Investment accounted for using equity method	8	5,037,501	645,251
Total Non-Current Assets		14,353,761	18,094,470
Total assets		15,919,248	20,172,671
LIABILITIES			
Current liabilities			
Trade and other payables	15	2,114,826	1,638,901
Lease liabilities	13	147,866	61,050
Employee benefits	17	17,725	17,248
Total Current Liabilities		2,280,417	1,717,199
Non-Current liabilities			
Trade and other payables	15	6,652,483	6,775,395
Lease liabilities	13	248,975	96,971
Borrowings	16	1,712,974	1,555,528
Total Non-Current Liabilities		8,614,432	8,427,894
Total liabilities		10,894,849	10,145,093
Net assets		5,024,399	10,027,578
EQUITY			
Contributed equity	18	31,139,843	23,892,855
Reserves		3,429,600	3,447,917
Accumulated losses		(28,622,658)	(17,007,486)
Total equity attributable to owners of the parent		5,946,785	10,333,286
Non-controlling interest		(922,386)	(305,708)
Total equity		5,024,399	10,027,578

The above consolidated statement of financial position should be read in conjunction with the accompanying notes. Please refer Note 25 for the Group financial position with the impairment and deconsolidation of SYMC related balances when all relevant conditions and approvals pursuant to the Sales and Purchase Agreement of SYMC are satisfied.

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

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

	Contributed equity	Accumulated losses	Foreign currency translation reserve	Change of interest in subsidiary reserve	Total	Non-Controlling interest	Total equity
	\$	\$	\$	\$	\$	\$	\$
As at 1 July 2017	23,189,218	(14,271,828)	2,877,299	518,930	12,313,619	52,654	12,366,273
Loss for the year	-	(2,735,658)	-	-	(2,735,658)	(364,479)	(3,100,137)
<i>Other comprehensive income:</i>							
Foreign currency translation difference	-	-	51,688	-	51,688	6,117	57,805
Total comprehensive income for the year	-	(2,735,658)	51,688	-	(2,683,969)	(358,362)	(3,042,332)
Transactions with owners in their capacity as owners							
Issue of shares	708,483	-	-	-	708,483	-	708,483
Issue costs	(4,846)	-	-	-	(4,846)	-	(4,846)
At 30 June 2018	23,892,855	(17,007,486)	2,928,987	518,930	10,333,286	(305,708)	10,027,578
Loss for the year	-	(11,615,172)	-	-	(11,615,172)	(613,958)	(12,229,130)
<i>Other comprehensive income:</i>							
Foreign currency translation difference	-	-	(18,317)	-	(18,317)	(2,720)	(21,037)
Total comprehensive income for the year	-	(11,615,172)	(18,317)	-	(11,633,489)	(616,678)	(12,250,167)
Transactions with owners in their capacity as owners							
Issue of shares	7,377,076	-	-	-	7,377,076	-	7,377,076
Issue costs	(130,088)	-	-	-	(130,088)	-	(130,088)
At 30 June 2019	31,139,843	(28,622,658)	2,910,670	518,930	5,946,785	(922,386)	5,024,399

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

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

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

		Consolidated	
	Note	2019	2018
		\$	\$
Cash flows from operating activities			
Receipts from customers		650,726	123,989
Payments to suppliers and employees		(3,704,827)	(1,050,962)
Interest received		15,744	5,617
Interest and other costs of finance paid		(3,587)	(135,706)
Net cash inflow/(outflow) from operating activities	26	(3,041,944)	(1,057,062)
Cash flows from investing activities			
Payments for property plant and equipment		(274,171)	-
Investment in associate	8	(2,000,000)	-
Net cash inflow/(outflow) from investing activities		(2,274,171)	-
Cash flows from financing activities			
Proceeds from share issue/share option		4,877,075	704,440
Share issue costs		(130,088)	(803)
Lease capital repayment		(167,331)	(47,866)
Lease interest		(44,464)	(14,503)
Net cash inflow/(outflow) from financing activities		4,535,192	641,268
Net increase / (decrease) in cash and cash equivalents		(780,922)	(415,794)
Cash and cash equivalents at the beginning of the year		1,043,615	1,433,592
Effects of exchange rate changes on cash and cash equivalents		32,364	25,817
Cash and cash equivalents at the end of the year	9	295,056	1,043,615

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

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

Notes to the consolidated financial statements

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China Magnesium Corporation Limited and its subsidiaries

Notes to the Consolidated Financial Statements - 30 June 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are for the consolidated entity consisting of China Magnesium Corporation Limited and its subsidiaries. The financial statements were authorised for issue on 30 September 2019 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*. China Magnesium Corporation Limited 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 China Magnesium Corporation Limited ("Company" or "parent entity") as at 30 June 2019 and the results of its subsidiaries for the year ended. China Magnesium Corporation Limited 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.

Non-controlling interests in the results and equity of the subsidiaries are shown separately in the Consolidated Statement of Profit or Loss and other Comprehensive Income, Statement of Changes in Equity and Statement of Financial Position, respectively.

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 China Magnesium Corporation Limited.

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

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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

The consolidated entity 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 processing and sale of magnesium, coke, fertilisers and related products.

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 China Magnesium Corporation Limited'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 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 is Chinese Renminbi or United States Dollar. The results and financial position of foreign operations (none of which has the currency of a

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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 magnesium, coke, fertilisers and commodity products

The Group sells magnesium, magnesium alloys, coke products, fertilisers and commodity products. 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.

(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.

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

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. Right of use assets and the corresponding liabilities arising from a lease are initially measured on a present value basis. 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 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. 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 suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(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

For the year ended 30 June 2019

The Company 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 Company 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the year ended 30 June 2018

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(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.

(n) Investments and other financial assets

For the year ended 30 June 2019

Except for those trade receivables that do not contain a significant financing component, all financial assets are initially measured at fair value adjusted for transaction costs. For the purpose of subsequent measurement, financial assets other than those designated as hedging instruments are classified into the following categories upon initial recognition under AASB 9:

- Amortised cost
- Fair value through profit or loss (FVPL)
- Equity instruments at fair value through other comprehensive income (FVOCI)
- Debt instruments at fair value through other comprehensive income (FVOCI)

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the year ended 30 June 2018

Classification

Previously, the Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss, are initially recognised at fair value and transaction costs are expensed. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

After initial recognition, loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Available-for-sale financial assets are carried at fair value.

Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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) Impairment testing of other intangible assets and property, plant and equipment

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.

The SYMC magnesium plant has been affected by the uncertainties of the environmental control measures imposed by the Chinese authorities since 2017. Hence, the impairment of \$5.8M on SYMC net assets during the year has been based on the consideration of \$207,658 (RMB 1M) negotiated in the conditional Sales and Purchase Agreement. Also, the Company impaired a receivable of \$2.6M (RMB 15M) in relation to a financial asset at amortised cost. This is related to receivable that previously had been considered as part of the overall balances with Fengyan Group but given the sale of SYMC, an allowance for expected credit loss in relation to the full amount has been raised.

(q) 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.

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

(r) Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method. Fees paid for establishing loan facilities are recognised as transaction costs if it is probable that some or all of the facility will be drawn down and deferred until the draw down occurs. If it is not probable that the facility will be drawn down, fees are capitalised as prepayments for liquidity services and amortised over the period to which the facility relates. Borrowings are derecognised from the statement of financial position when the obligation specified in the contract has been discharged, cancelled or expires. The difference between the carrying amount of the borrowing derecognised and the consideration paid is recognised in profit or loss as other income or finance costs

Where the terms of a borrowing are renegotiated and the group issues equity instruments to a creditor to extinguish all or part of a borrowing, the equity instruments issued as part of the debt for equity swap are measured at the fair value of the equity instruments issued, unless the fair value cannot be measured reliably, in which case, they are measured at the fair value of the debt extinguished. The difference between the carrying amount of the debt extinguished and the fair value of the equity instruments issued is recognised as a gain or loss in profit or loss. All borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(s) 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.

(t) 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.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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.

(u) Contributed equity

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 China Magnesium Corporation Limited 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 China Magnesium Corporation Limited.

(v) 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.

(w) 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.

(x) 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(y) New accounting standards and interpretations

The Group chose to early adopt AASB 15: Revenue from Contracts with Customers and AASB 16: Leases. The date of initial application for both these standards was 1 July 2016. The Group has adopted the new AASB 9 as of 1 July 2018.

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting. When adopting AASB 9, the Group has applied transitional relief and opted not to restate prior periods

AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

In the standard that preceded AASB 9, the "incurred loss" framework required entities to recognise credit losses only when evidence of a loss was apparent. Under AASB 9 impairment framework, however, it is a more forward-looking approach than its predecessor and results in more timely recognition of credit losses. The Company's exposure to financial instruments, mainly comprising trade and other payables and borrowings are shown in Note 2(e). In the current financial year, the Company has recognised an allowance for expected credit loss of \$2.6M in relation to a financial asset (Note 1(p) and Note 25).

(z) 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.

(aa) Significant management judgement in applying accounting policies and estimation uncertainty

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment (Note 8, Note 14 and Note 25)

The Pingyao plant has been unable to commence production due to uncertainties in the environmental regulation in China. Accordingly, CMC has recognised an additional impairment of \$5.8M for the plant during the year. The impairment has been based on the consideration of \$207,658 (RMB 1M) negotiated in the conditional SPA to sell SYMC and this has been allocated to assets under construction (Note 14 and Note 25).

Management has considered the recoverable amount of the investment in associates. (Note 8).

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

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.

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

NOTE 2: FINANCIAL RISK MANAGEMENT (Continued)

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.

(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 2019 was AUD \$3,383,869 (2018: AUD \$5,753,196).

	10% Increase/Decrease		Effects of exchange rate changes	
	Net Payables in RMB	4.8156	A\$3,383,869	
AUD change by 10%+	5.2972	A\$3,076,245	(A\$307,624)	Increase in OCI
AUD change by 10%-	4.3340	A\$3,759,854	A\$375,985	Decrease in OCI

Foreign exchange risk arises from the Group's cash holdings and receivables in Singapore Dollars. At 30 June 2019 the Group held AUD\$461,457 in Singapore Dollars (2018: AUD\$287,674) and Nil in Canadian Dollars (2018: AUD\$326,170). Foreign exchange risk also arises from the Group's cash holdings in United States Dollars. At 30 June 2019 the Group had cash holdings of AUD\$5,634 in United States Dollars (2018: AUD\$81,246).

Table: Foreign Exchange Risk

Cash holdings & receivables in SGD	0.9717	A\$461,457		
AUD change by 10%+	1.0689	A\$419,507	(A\$41,951)	Decrease in OCI
AUD change by 10%-	0.8745	A\$512,730	A\$51,273	Increase in OCI
Cash holdings in USD	0.7022	A\$5,634		
AUD change by 10%+	0.7724	A\$5141	(A\$514)	Decrease in OCI
AUD change by 10%-	0.6320	A\$6,283	A\$628	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 and Bank of China), 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 Note 25 and the intended disposal of SYMC.

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NOTE 2: FINANCIAL RISK MANAGEMENT (Continued)

	Consolidated 2019			
	\$ 0 to 6 months	\$ 6 to 12 months	\$ 12 to 60 months	\$ Carrying Amount
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
	<u>2,280,417</u>	<u>-</u>	<u>8,614,432</u>	<u>10,894,849</u>

	Consolidated 2018			
	\$ 0 to 6 months	\$ 6 to 12 months	\$ 12 to 60 months	\$ Carrying Amount
Others	78,298	-	96,971	175,269
Borrowings	-	-	1,555,528	1,555,528
Trade and other payables	1,638,901	-	6,775,395	8,414,296
	<u>1,717,199</u>	<u>-</u>	<u>8,427,894</u>	<u>10,145,093</u>

	Consolidated 2019			
	\$ 0 to 6 months	\$ 6 to 12 months	\$ 12 to 60 months	\$ Carrying Amount
Current assets	1,621,780	-	-	1,621,780
Non-current assets	-	-	14,297,468	14,297,468
	<u>1,621,780</u>	<u>-</u>	<u>14,297,468</u>	<u>15,919,248</u>

	Consolidated 2018			
	\$ 0 to 6 months	\$ 6 to 12 months	\$ 12 to 60 months	\$ Carrying Amount
Current assets	2,078,201	-	-	2,078,201
Non-current assets	-	-	18,094,470	18,094,470
	<u>2,078,201</u>	<u>-</u>	<u>18,094,470</u>	<u>20,172,671</u>

(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.

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China Magnesium Corporation Limited and its subsidiaries

Notes to the Consolidated Financial Statements - 30 June 2019

NOTE 3: GOING CONCERN (continued)

The Group incurred a net loss of \$12,229,130 and an operating cash outflow of \$3,041,944 for the financial year ended 30 June 2019. At that date the Group was in a net current liability position of \$714,930.

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

- e) the sale of CMC's interest in SYMC;
- f) access to funding from further capital raisings;
- g) management services revenue commencing in the last quarter 2019 from the plantation associate, SW Singapore;
- h) cashflow and profits arising from trading operations

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

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

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

(a) Entity-wide disclosures

Consolidated revenues from each product or service;

	Magnesium, coke, fertilisers and commodity products	Other revenue	Total
	\$	\$	\$
2019	1,187,243	89,026	1,276,269
2018	-	293,928	293,928

During the year \$1,187,243 (2018: \$ Nil) revenue was mainly derived from trading activities of wood-based commodity products, besides magnesium, coke, fertilisers conducted through the subsidiaries. The Company trades globally for commodity products and is not limited to specific countries/customers.

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

NOTE 5: REVENUE AND OTHER INCOME

	Consolidated	
	2019 \$	2018 \$
Revenue from wood-based products	1,169,829	-
Revenue from Magnesium Lithium	17,414	-
Management fee (a)	45,000	20,000
Administrative fee (b)	20,000	-
Other income	8,282	68,462
Earnest money forfeited	-	199,374
Interest	15,744	6,092
Total revenue and other income	1,276,269	293,928

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

NOTE 6: SIGNIFICANT INCOME AND EXPENSES

	2019 \$	2018 \$
Expenses		
(Profit)/loss before tax includes the following:		
Depreciation/Amortisation		
Buildings	294,739	145,967
Plant & Equipment	192,851	191,410
Furniture & Fitting/Office equipment (a)	61,404	-
Leasehold Land	30,478	29,483
Quarry	-	20,074
Total depreciation and amortisation	579,472	386,934
Interest and finance charges paid/payable	105,677	138,320
Rental expense, including lease interest and amortisation of right to use asset (a)	239,262	71,305
Plant & equipment impairment (b)	5,808,871	1,739,840
Receivable impairment (c)	2,587,137	-
Termination loss on right of use asset (d)	102,196	-
Gain on derecognition of lease liabilities (d)	(118,839)	-
Allowance for expected credit loss (e)	775,206	-
Quarry impairment	-	665,250
Gain from loss of control of subsidiary	-	(690,000)

- (a) Effective 15 July 2018 the company commenced a new office lease in Great World City, Singapore at a monthly lease of SGD11,440 excluding GST. Furniture & Fittings and Office Equipment including renovation costs have been depreciated over estimated useful life of four years.
(b) Impairment based on recoverable amount of SYMC disposal has been allocated to Plant & equipment. Please refer to Note 25 for further details
(c) Impairment relates to RMB 15M (A\$2,587,137) in relation to a financial asset (Note 25)
(d) Asset and liability relating to Southport office lease being terminated on 31 March 2019.
(e) Allowance for expected credit loss under AASB 9 were made for: i) trade receivables of \$395,206 due more than 90 days; ii) receivable \$80,000 due more than 90 days from an associate and iii) deposit of \$300,000 with a related party more than 90 days for which trading has yet to occur. Management is continuing 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 2019.

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

NOTE 7: INCOME TAX BENEFIT

	Consolidated	
	2019	2018
	\$	\$
(a) Income tax benefit		
Current tax	(660,965)	(1,086,695)
Deferred tax	660,965	1,086,695
Income tax benefit	<u>-</u>	<u>-</u>
(b) Reconciliation of income tax benefit to prima facie tax payable		
Profit/(loss) from continuing operations before income tax expense	(11,507,422)	(3,100,137)
Tax at the Australian tax rate of 27.5% (2018:27.5%)	(3,164,541)	(852,538)
Foreign exchange translation differences	2,105,894	(204,239)
Other permanent differences	-	-
	<u>2,105,894</u>	<u>(204,239)</u>
Difference in overseas tax rate	405,483	123,900
Tax losses not recognised	653,164	1,075,852
Under/(over) provision from prior years	-	(142,975)
Income tax expense/(credit)	<u>-</u>	<u>-</u>
(c) Unrecognised deferred tax assets		
Deferred tax assets at the applicable tax rate have not been recognised for the following:		
Unused tax losses	5,545,489	4,789,447
Deductible temporary differences	87,130	65,400
	<u>5,632,619</u>	<u>4,854,847</u>

NOTE 8: INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

Name	Principal activities /Country of incorporation	2019 %	2018 %
CMC Lithium Pty Ltd	Preliminary exploration for lithium / Australia	40%	40%
		2019 \$'000	2018 \$'000
<i>Summarised statement of financial position</i>			
Current assets		672	913
Non-current assets		700	700
Total assets		<u>1,372</u>	<u>1,613</u>
Current liabilities		27	41
Non-current liabilities		-	-
Total liabilities		<u>27</u>	<u>41</u>
Net Assets		1,345	1,572
<i>Summarised statement of profit or loss and other comprehensive income</i>			
Revenue		-	-
Expenses		(226)	(137)
Profit / (loss) before income tax		(226)	(137)
Income tax expense		-	-
Profit / (loss) after income tax		(226)	(137)
Other comprehensive income		-	-
Total comprehensive income		<u>(226)</u>	<u>(137)</u>

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Notes to the Consolidated Financial Statements - 30 June 2019

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

Consolidated entity's carrying amount reconciliation

Opening carrying amount	700	700
Share of loss after income tax	(146)	(55)
Closing carrying amount	554	645

Name	Principal activities /Country of incorporation	2019 %	2018 %
Sovran White (Singapore) International Logistics Pte Ltd (SWL)	Management services and distribution of produce from Plantation in China	21.43%	0%

**2019
\$**

Summarised statement of financial position

Current assets	-
Non-current assets	21,000,000
Total assets	21,000,000
Current liabilities	80,000
Non-current liabilities	-
Total liabilities	80,000
Net Assets	20,920,000

Summarised statement of profit or loss and other comprehensive income

Revenue	-
Expenses	(80,000)
Profit / (loss) before income tax	(80,000)
Income tax expense	-
Profit / (loss) after income tax	(80,000)
Other comprehensive income	-
Total comprehensive income	(80,000)

Consolidated entity's carrying amount reconciliation

Cost on initial recognition	4,500,000
Share of loss after income tax	(17,144)
Closing carrying amount	4,482,856

No comparatives have been presented in the table above as the results of the associate were equity accounted effective from March 2019. The assumption that SGD:AUD was 1:1 has been used.

Impairment test of investment in associate

CMC's paid a total consideration of \$4.5M for its 21.43% interest in SWL. This comprised \$2M in cash and \$2.5M in shares issued. As the activity under the rights has not yet occurred, management has obtained a valuation of the underlying rights to assess impairment. This was undertaken by an independent external valuer.

The primary inputs include production of 1,349,800 tonnes, with no growth in future periods; discount rate used being asset specific; sales prices of underlying fruits taken at midpoint of published range. If there was an increase in the discount rate or if the production forecast was not met or if sales prices are at the bottom of the potential range, there may be an impairment required. Below is the impact on the valuation of the underlying rights and the carrying value of the asset when the primary inputs change. This valuation has not included potential impact from export trading profits.

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

	Original valuation of plantation rights and valuation adjusted for change in assumption (SGD)	Recoverable amount of associate (SGD)	Investment in associate carrying value (AUD)	Potential impairment (AUD)
Impact of decrease in unit price and/or tonnage leading to a decline in sales revenue				
Tonnage and unit price used in valuation forecast	22,440,844	22,360,844	4,482,856	-
if reduced by 10%	20,196,760	20,116,760	4,482,856	(371,099)
If reduced by 20%	17,952,675	17,872,675	4,482,856	(827,961)
If reduced by 30%	15,708,591	15,628,591	4,482,856	(1,284,823)
Impact of discount rate changes				
Discount rate in valuation report 16%	22,440,844	22,360,844	4,482,856	-
Discount rate change to 17%	21,125,209	21,045,209	4,482,856	(182,080)
Discount rate change to 18%	19,954,282	19,874,282	4,482,856	(420,463)
Discount rate change to 19%	18,905,714	18,825,714	4,482,856	(633,936)
Discount rate change to 20%	17,961,453	17,881,453	4,482,856	(826,174)

NOTE 9: CASH AND CASH EQUIVALENTS

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

SYMC related balance of \$118 included in the 30 June 2019 balance will be deconsolidated on disposal. Cash at bank and in hand earn interest rates between zero and 1.0% (2018: zero and 1.0%). Deposits at call earn a floating interest rate of around 1% (2018: 1%).

NOTE 10: TRADE AND OTHER RECEIVABLES

	2019	2018
	\$	\$
Trade debtors	595,206	-
Allowance for expected credit loss	(395,206)	-
	200,000	-
Other debtors	1,369,798	954,319
Allowance for expected credit loss	(380,000)	-
	989,798	-
	1,189,798	954,319

SYMC related balance of \$966,738 included in the 30 June 2019 balance will be deconsolidated on disposal. Details on allowance for expected credit loss is provided in Note 6.

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

NOTE 11: INVENTORIES

	2019 \$	2018 \$
Raw materials	<u>80,633</u>	<u>80,267</u>

The whole balance as at 30 June 2019 will be deconsolidated on disposal of SYMC. Inventories recognised as expense during the year ended 30 June 2019 amounted to \$1,011,731 (2018 – \$25,200).

NOTE 12: PREPAYMENT

	2019 \$	2018 \$
Prepayment – non-current	<u>218,914</u>	<u>2,607,120</u>

SYMC related balance of \$162,621 as at 30 June 2019 will be deconsolidated on disposal of SYMC.

NOTE 13: LEASES

During the year, the Group did not exercise the further 2 year option for the property lease in Australia, resulting in a gain on derecognition of liability and impairment of asset and moved to a new property from 1 April 2019 on a short term lease which is not required to be accounted for in accordance with AASB 16.

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.

	2019 \$	2018 \$	
Right of use leased assets			
Non-current	381,490	144,596	
Lease liabilities			
Current	147,866	61,050	
Non-current	248,975	96,971	
	Current Period \$	Within 12 Months \$	Within 2-5 years \$
Cash lease payments	196,658	140,028	288,514
Present value of lease payments	183,737	125,768	233,436
Lease expense recognised			
Interest	45,664	27,175	29,901
Amortisation	169,563	121,571	243,142
Total charge to profit or loss	215,227	148,746	273,043

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Notes to the Consolidated Financial Statements - 30 June 2019

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

Consolidated	Assets under construction	Leasehold Land	Quarry	Buildings	Vehicles	Plant & equipment	Total
	\$	\$	\$	\$	\$	\$	\$
Year ended 30 June 2019							
Measurement basis	Cost	Cost	Cost	Cost	Cost	Cost	
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
At 30 June 2019							
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
Year ended 30 June 2018							
Opening net book amount	11,020,183	1,247,921	524,412	234,266	(456)	2,059,078	15,085,404
Transfer to/from other accounts	(4,731,258)	-	74,423	5,095,823	-	(438,988)	-
Exchange differences	712,743	87,824	20,346	36,138	456	463,731	1,321,238
Additions	1,016,742	-	-	-	-	-	1,016,742
Impairment *	(1,739,840)	-	(599,107)	-	-	-	(2,338,947)
Depreciation / amortisation	-	(29,483)	(20,074)	(145,967)	-	(191,410)	(386,934)
Closing net book amount	6,278,570	1,306,262	-	5,220,260	-	1,892,411	14,697,503
Year ended 30 June 2018							
Cost	8,018,410	1,521,896	-	5,524,045	-	3,438,187	18,502,539
Accumulated depreciation	-	(215,634)	-	(303,785)	-	(1,545,776)	(2,065,195)
Impairment *	(1,739,840)	-	-	-	-	-	(1,739,840)
Net Book amount	6,278,570	1,306,262	-	5,220,260	-	1,892,411	14,697,503

* The Pingyao plant has been unable to commence production due to uncertainties in the environmental regulation in China. As announced to the ASX on 6 August 2019, CMC has entered into a conditional SPA to sell its 91.25% interest in SYMC. Accordingly, CMC has recognised an additional impairment of \$5.8M for the plant as disclosed in Note 25. The impairment has been based on the consideration of \$207,658 (RMB 1M) negotiated and this has been allocated to assets under construction as shown above

Level 2 – non-recurring	564,378	-	-	-	-	-	564,378
Fair value at 30 June 2019	564,378	-	-	-	-	-	564,378
Level 2 – non-recurring	6,278,570	-	-	-	-	-	6,278,570
Fair value at 30 June 2018	6,278,570	-	-	-	-	-	6,278,570

The impairment is in respect of the sole reportable segment, being the processing and sale of magnesium, coke and commodity products. The recoverable amount of Assets under Construction is its fair value less costs of disposal.

NOTE 15: TRADE AND OTHER PAYABLES

	2019	2018
	\$	\$
Current:		
Trade payables	-	-
Other payables and accruals	2,114,826	1,638,901
	2,114,826	1,638,901
Non-Current:		
Trade payables	1,820,385	3,029,219
Other payables	4,832,098	3,746,176
	6,652,483	6,775,395

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Notes to the Consolidated Financial Statements - 30 June 2019

NOTE 15: TRADE AND OTHER PAYABLES (continued)

The non-current payables of \$6,652,483 and SYMC related current payables of \$1,165,351 as at 30 June 2019 will be deconsolidated on disposal of SYMC. Non-current trade payables include creditors who have agreed to extended terms, due for payment 12 months after magnesium production commences. Non-current other payables relate to working capital support rendered by Fengyan Group at 0% interest, based on the Investment & Cooperation Agreement dated 17 December 2013.

NOTE 16: BORROWINGS

	2019 \$	2018 \$
Borrowings (include interest accrued)	<u>1,712,974</u>	<u>1,555,528</u>

The whole balance as at 30 June 2019 will be deconsolidated on disposal of SYMC. Fengyan Group provide borrowings of \$1,028,108 (RMB 5 million) at interest rate of 13.68% annually.

NOTE 17: EMPLOYEE BENEFITS

	2019 \$	2018 \$
Current employee benefits	<u>17,725</u>	<u>17,248</u>

SYMC related balance of \$4,431 included in the 30 June 2019 balance will be deconsolidated on disposal

NOTE 18: CONTRIBUTED EQUITY

	Consolidated		Consolidated	
	2019 Shares	2018 Shares	2019 \$	2018 \$
(a) Share capital				
Ordinary shares fully paid	<u>462,438,556</u>	<u>314,897,034</u>	<u>31,139,843</u>	<u>23,892,855</u>

(b) Movements in ordinary share capital

Date	Details	Number of shares	*Issue price	\$
30 June 2018	Balance	314,897,034		23,892,855
30 November 2018	Rights issue	37,541,522	0.05	1,877,076
	Rights issue transaction costs	-	-	(5,706)
12 February 2019	Rights issue shortfall allotment	60,000,000	0.05	3,000,000
8 March 2019	Part consideration to acquire interest in associate	50,000,000	0.05	2,500,000
	Share issue transaction costs	-	-	(124,382)
30 June 2019		462,438,556		31,139,843

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NOTE 18: CONTRIBUTED EQUITY (continued)

(c) Ordinary shares

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

(d) Shares in escrow

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

(e) Contributed equity

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

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

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

(f) Capital risk management

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

NOTE 19: RESERVES

	Consolidated	
	2019	2018
	\$	\$
Foreign currency translation reserve	2,910,670	2,928,987
Change of interest in subsidiary reserve	518,930	518,930
Total reserves	<u>3,429,600</u>	<u>3,447,917</u>

SYMC related balance of \$2,451,712 included in the 30 June 2019 balance will be deconsolidated on disposal.

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

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China Magnesium Corporation Limited and its subsidiaries

Notes to the Consolidated Financial Statements - 30 June 2019

NOTE 20: REMUNERATION OF AUDITORS

	Consolidated	
	2019	2018
	\$	\$
Audit and review of financial statements		
Grant Thornton Australia	100,000	55,000
Overseas Grant Thornton network firms	-	40,000
Audit and review of financial statements	<u>100,000</u>	<u>95,000</u>

There have been no non-audit services during the year.

NOTE 21: CONTINGENCIES

CMC entered into a conditional Sale and Purchase Agreement (SPA) to sell its 91.25% interest in SYMC as announced to the ASX on 6 August 2019. The sale is subject to satisfying relevant conditions, which include shareholder approval for the disposal of the main undertaking, minority shareholder consent and PRC regulatory approvals. All relevant conditions are to be satisfied or waived by no later than 29 February 2020 or other dates as mutually agreed.

Under PRC law, a shareholder is liable to a PRC company or its creditors to the extent of the amount of capital the shareholder agrees to contribute to the PRC company. The capital agreed to be contributed to SYMC by CMC is RMB54,750,000 (Agreed Capital Contribution). The Company has made the full amount of the Agreed Capital Contribution to SYMC, and is not liable for the debts of SYMC under PRC law or otherwise.

NOTE 22: COMMITMENTS

(a) Capital commitments

Capital commitments mainly relate to the environmental emission control cost estimates for the SYMC plant in the previous year. In view of the pending disposal of SYMC, there are no capital commitments at 30 June 2019.

(b) Mortgage Guarantee

Shanxi Yushun Magnesium Corporation Ltd (SYMC), a 91.25% owned subsidiary of China Magnesium Corporation Limited, entered into 2 mortgage guarantee agreements which expired on 21 December 2018

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

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

NOTE 23: RELATED PARTY TRANSACTIONS

(a) Parent entity

The parent entity within the Group is China Magnesium Corporation Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 25.

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NOTE 23: RELATED PARTY TRANSACTIONS (continued)

(c) Associates

Sovran White (Singapore) International Logistics Pte Ltd become an associate effective 8 March 2019 while CMC Lithium Pty Ltd has been an associate since 1 February 2018. Details are in note 8.

(d) Key management personnel

	Consolidated	
	2019 \$	2018 \$
Short term employee benefits	929,354	1,140,475
Post-employment benefits	13,020	16,693
	942,374	1,157,168

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.

(e) Transactions with related parties

During the financial year, the Company purchased commodity products around \$ 1M on normal arm's length commercial terms from Sovran White International Pte Ltd (SWI), an entity which Mr Michael ET Chan is a 50% shareholder. The products were subsequently sold on normal commercial terms. In addition, furniture & fixtures, office equipment and renovation costs of around \$250,000 in total were recharged from Happyland World Pte Ltd (an entity associated with Mr Michael ET Chan) to CMC in Singapore when CMC obtained the office lease.

NOTE 24: PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2019 the parent entity of the Group was China Magnesium Corporation 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

	2019 \$	2018 \$
Result of parent entity		
Profit / (loss) for the year after tax	(20,694,181)	1,262,592
Other comprehensive income	-	-
Total comprehensive income for the year	(20,694,181)	1,262,592
Financial position of parent entity at year end		
Current assets *	3,378,393	13,781,123
Non-current assets**	6,372,715	9,976,123
Total assets	9,751,108	23,757,246
Current liabilities	912,133	1,313,059
Non-current liabilities	-	158,021
Total liabilities	(912,133)	(1,471,077)
Net assets	8,838,975	22,286,169
Contributed equity	31,139,842	23,892,854
Accumulated (losses)	(22,300,867)	(1,606,686)
Total equity	8,838,975	22,286,168

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

NOTE 24: PARENT ENTITY DISCLOSURES (continued)

*Amount due from SYMC of \$8.6M, comprising intragroup balances and recharges has been impaired in view of the disposal of SYMC

**CMC has also impaired its investment in SYMC based on the loss on disposal of shares in SYMC of \$8.2M, based on the \$208k (RMB 1M) negotiated in the conditional SPA.

b) Guarantees entered into by the parent entity

The parent entity has not entered into any guarantees in respect of its subsidiaries (2018 – nil).

c) Contingent liabilities

The Group is not aware of any contingent liability, other than as disclosed at Note 21.

d) Contractual commitments

Nil (2018 – 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 2019 is set out below:

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

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

Disposal of SYMC

As announced to the ASX on 6 August 2019, CMC has entered into a Sales and Purchase Agreement with Worldcom Parkway International Trade (Tianjin) Co. Ltd, to sell its 91.25% interest in SYMC, subject to all relevant conditions (including approval by CMC shareholders) being satisfied or waived by no later than 29 February 2020 (or other dates as mutually agreed) for RMB 1 million. Below is a proforma financial position of the Group as at 30 June 2019 after the disposal of SYMC.

	Group (before SYMC impairment)	Group (before disposal/after impairment)	SYMC deconsolidation on disposal	Group (after disposal)
ASSETS				
Current assets				
Cash and cash equivalents	295,056	295,056	(118)	294,938
Trade and other receivables (a)	1,189,798	1,189,798	(759,080)	430,718
Inventories	80,633	80,633	(80,633)	-
Total Current Assets	1,565,487	1,565,487	(839,831)	725,656
Non-current assets				
Prepayments	218,914	218,914	(162,621)	56,293
Trade and other receivables (b)	2,587,137	-	-	-
Property, plant and equipment (c)	14,524,727	8,715,856	(8,528,356)	187,500
Right of use assets	381,490	381,490	-	381,490
Investment equity accounted associate	5,037,501	5,037,501	-	5,037,501
Total Non-Current Assets	22,749,769	14,353,761	(8,690,977)	5,662,784

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

Total assets	24,315,256	15,919,248	(9,530,808)	6,388,440
LIABILITIES				
Current liabilities				
Trade and other payables	2,114,826	2,114,826	(1,160,920)	953,906
Lease liabilities	147,866	147,866	-	147,866
Employee benefits	17,725	17,725	(4,431)	13,294
Total Current Liabilities	2,280,417	2,280,417	(1,165,351)	1,115,066
Non-Current liabilities				
Trade and other payables	6,652,483	6,652,483	(6,652,483)	-
Lease liabilities	248,975	248,975	-	248,975
Borrowings	1,712,974	1,712,974	(1,712,974)	-
Total Non-Current Liabilities	8,614,432	8,614,432	(8,365,457)	248,975
Total liabilities	10,894,849	10,894,849	(9,530,808)	1,364,041
Net assets	13,420,407	5,024,399	-	5,024,399
EQUITY				
Contributed equity	31,139,842	31,139,842	-	31,139,842
Reserves	2,475,615	2,475,615	(2,451,712)	23,903
Accumulated losses	(19,272,664)	(27,668,672)	1,529,326	(26,139,346)
Total equity attributable to the owners	14,342,793	5,946,785	(922,386)	5,024,399
Non-controlling interest	(922,386)	(922,386)	922,386	-
Total equity	13,420,407	5,024,399	-	5,024,399

Notes

a. Trade and other receivables-current

Group (before SYMC impairment)	1,189,798	1,189,798		1,189,798
(-): Deconsolidate SYMC receivables on disposal			(966,738)	(966,738)
(+): Consideration in conditional SPA			207,658	207,658
	1,189,798	1,189,798	(759,080)	430,718

b. Trade and other receivables-non-current

Group (before 2019 impairment)	2,587,137	2,587,137	-	-
(-): Impairment on financial asset		(2,587,137)		
	2,587,137	-	-	-

c. Property plant and equipment

Group (before 2019 impairment)	14,524,727	14,524,727		14,524,727
(-) Allocated impairment based on consideration in SPA		(5,808,871)		(5,808,871)
(+) Deconsolidate SYMC PP&E on disposal			(8,528,356)	(8,528,356)
	14,524,727	8,715,856	(8,528,356)	187,500

Disposal of SYMC (continued)

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

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

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

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

	Consolidated	
	2019 \$	2018 \$
(Loss) for the year	(12,229,130)	(3,100,137)
Depreciation and amortisation	579,472	386,933
Impairment - Quarry	-	665,250
Impairment – Plant & equipment	5,808,871	1,739,840
Impairment - Receivable	2,587,137	-
Allowance for expected credit loss	775,206	-
Impairment – right of use asset	102,196	-
Gain on derecognition of liability	(118,839)	(386,800)
Amortisation of rights of use asset	167,331	56,533
Lease interest expense included in financing activities	44,464	14,502
Foreign exchange loss/(gain)	313,976	(747,068)
Decrease (increase) in trade and other receivables	(841,991)	234,820
Decrease (increase) in inventories	430	75,713
(Decrease) Increase in trade and other payables	(231,505)	15,987
(Decrease) Increase in other provisions	438	(12,635)
Net cash inflows / (outflows) from operating activities	<u>(3,041,944)</u>	<u>(1,057,062)</u>

NOTE 27: EARNINGS PER SHARE

	2019 Cents	2018 Cents
Basic earnings / (loss) per share	(3.1)	(1.0)
Diluted earnings / (loss) per share	(3.1)	(1.0)
	\$	\$
Net loss for the year attributable to owners of the parent used to calculate loss per share – basic and diluted	(11,615,172)	(2,735,658)
	Number	Number
Weighted average number of ordinary shares outstanding during the year used to calculate basic loss per share	375,613,273	280,568,625
Diluted earnings per share:- options over ordinary shares would decrease loss per share and provide antidilutive effect	-	-
Weighted average number of ordinary shares outstanding during the year used to calculate diluted loss per share	<u>375,613,273</u>	<u>280,568,625</u>

NOTE 28: SUBSEQUENT EVENTS

As announced to the ASX on 6 August 2019, CMC has entered into a Sales and Purchase Agreement with Worldcom Parkway International Trade (Tianjin) Co. Ltd, to sell its 91.25% interest in SYMC, subject to all relevant conditions (including approval by CMC shareholders) being satisfied or waived by no later than 29 February 2020 (or other dates as mutually agreed) for RMB 1 million. CMC has proceeded to next steps and relevant conditions to be satisfied are in progress. A general meeting of the shareholders will be held in Singapore on 23 October 2019 at 10.00 am Singapore time.

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

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

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China Magnesium Corporation Limited and its subsidiaries

Directors' Declaration - 30 June 2019

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 2019 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 10 to 12 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

Brisbane
30 September 2019

Independent Auditor's Report

To the Members of China Magnesium Corporation Limited

Report on the audit of the financial report

Qualified Opinion

We have audited the financial report of China Magnesium Corporation Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Qualified Opinion

Subsequent to 30 June 2019, the Group entered into a Sales and Purchase Agreement to dispose of its interest in its subsidiary, Shanxi Yushun Magnesium Co. Ltd ("SYMC") as disclosed in Note 25, amongst other places in the financial report. Note 25 sets out the balances included in the consolidated balance sheet as at 30 June 2019 and the impairment recognised as at 30 June 2019 such that net carrying amount of SYMC balances is equal to the consideration due under the contract. Due to the sale process we were denied access to the underlying financial information and management of SYMC. Consequently we were unable to determine whether any adjustments were necessary to the gross amounts recognised relating to SYMC as disclosed in Note 25.

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 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.

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

Material uncertainty related to going concern

We draw attention to Note 3 in the financial statements, which indicates that the Group incurred net loss of \$12,229,130 and an operating cash outflow of \$3,041,944 for the financial year ended 30 June 2019. At that date the Group was in a net current liability position of \$714,930. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 period. 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.

In addition to the matters described in the *Basis for Qualified Opinion* section and in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p>Revenue (Note 5)</p> <p>The Group's revenue of \$1,252,243 is a significant item in the Statement of Comprehensive Income and represents a material increase from the prior period.</p> <p>Additionally, ASA 240 <i>The Auditors Responsibility in relation to Fraud in an Audit of A Financial Report</i> requires us to consider the risk of material misstatement due to fraudulent financial reporting relating to revenue recognition.</p> <p>This area is a key audit matter due to the nature of revenue arrangements and the importance of revenue to stakeholders.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> Assessing the revenue recognition policies for appropriateness and compliance with <i>AASB 15 Revenue from Contracts with Customers</i>; Testing a sample of commodity revenue transactions and verifying they were appropriately recognised; Assessing the adequacy of the Group's disclosures in respect of AASB 15 and the requirements therein.
<p>Acquisition of Investment in Associate - Sovran White (Singapore) International Logistics Pte Ltd (SWL) (Note 8)</p> <p>The Group acquired a 21.43% interest in Sovran White (Singapore) International Logistics Pte Ltd (SWL), in March 2019. The Group acquired the interest by issuing \$2,500,000 in shares and \$2,000,000 consideration in cash. The carrying value of the Group's investment in this associate at 30 June 2019 was \$4,483,000.</p> <p>Management has considered the requirements of <i>AASB 128 Investments in Associates and Joint Ventures</i> in accounting for this investment and considering any indicators of impairment. As the associate has not yet commenced trading, management has obtained an external valuation of the underlying distribution rights.</p> <p>The carrying value is contingent on future cash flows and there is risk that if these cash flows do not meet the Group's expectations that the investment in associate will be impaired.</p> <p>If there are indicators of impairment under <i>AASB 128, AASB 136 Impairment of Assets</i> is used to assess the carrying value of the associate for impairment by comparing its carrying value to the recoverable amount. This area is a key audit matter due to the degree of subjectivity involved in measuring the recoverable amount of the investments.</p> <p>Certain assumptions made by management in the impairment review are key estimates, including the forecast production of the underlying plantation, the prevailing market prices for the fruits produced, costs of distribution and discount rates used. Changes in these assumptions might lead to a change in the carrying value of the investment in the associate.</p> <p>As a result of the impairment review, the Directors have determined that whilst there is no impairment in the carrying value of the associate at 30 June 2019, there are reasonably possible changes in key assumptions that could result in impairment, as disclosed in note 8.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> obtaining from management their methodology for determining the carrying values of the investments; assessing the qualifications of management's expert; substantiating relevant inputs to external sources of information; testing the mathematical accuracy of management's valuation; challenging the assumptions applied by management's when assessing the recoverable amount of the investments in associates; reperforming the sensitivity calculations undertaken by management on possible changes in key assumptions that could result in an impairment; and reviewing the appropriateness of the related disclosures within the financial statements.

Information other than the financial report and auditor's report thereon

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 2019, 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 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.

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 Group's ability 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 have 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 at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.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 included in pages 10 to 12 of the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of China Magnesium Corporation Limited, for the year ended 30 June 2019 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.



Grant Thornton Audit Pty Ltd
Chartered Accountants



A F Newman
Partner – Audit & Assurance
Brisbane, 30 September 2019

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 31 August 2019.

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	70,000,000	14.82
Mr Thomas Troy Blackhurst	46,379,404	9.82
Wang Feng	34,915,062	7.39
Mr Xinping Liang	34,435,730	7.29
Mr Guicheng Jia	16,922,472	3.58
	202,652,668	42.90

THE NUMBER OF HOLDERS IN EACH CLASS OF SECURITIES

Type of security	Number of holders	Number of securities
Ordinary shares	503	472,438,555

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	225
100,001 and over	147
Total	503

LESS THAN MARKETABLE PARCELS

There were 267 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	10.59
Mr Tom Blackhurst	46,379,404	9.82
Wang Feng	34,915,062	7.39
Mr Xiping Liang	34,435,729	7.29
BNP Paribas Noms PL	29,263,645	6.20
Tan Mung Ngian	20,000,000	4.23
He Yuming	20,000,000	4.23
Lui Minghui	20,000,000	4.23
Goh Siew Hoon	20,000,000	4.23
Mr Guicheng Jia	16,922,472	3.58
Mr Jiepeng Wu	15,473,920	3.28
Citicorp Nom PL	13,769,883	2.91
Mr Ming Li	12,000,000	2.54
Mr Yang Adrian Tay Kuan	9,999,999	2.12
Mr Ong Hock Seong	9,189,848	1.95
Ms Vera Lim Hui	8,900,000	1.88
Mr Fenglin Wang	7,736,960	1.64
Ms Hui Vera Lim	7,310,000	1.55
Dato Lee Han Siew	7,000,000	1.48
Mr Yanqin Zhao	3,594,800	0.76
Mr Yuping Wang	3,594,800	0.76
Top 20 total	390,486,522	82.65
Others	69,129,756	17.35
Total as at 31 August 2019	472,438,555	100.00

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CHINA MAGNESIUM CORPORATION LIMITED

ACN 125 236 731

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY STATEMENT

TIME: 10:00 am (Singapore time/AWST)

DATE: 29 November 2019

PLACE: The Meeting Room @ Triple One Somerset
Level 3, 13 Triple One Somerset, 111 Somerset Road,
Singapore 238164

This Notice of Annual General Meeting and Explanatory Statement should be read in its entirety.

If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.

Should you wish to discuss the matters in this Notice of Annual General Meeting please do not hesitate to contact the Company Secretary on +61 7 3011 6335 or mmora.cmc@gmail.com.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10:00 am (Singapore time/AWST) on 29 November 2019 at:

The Meeting Room @ Triple One Somerset, Level 3, 13 Triple One Somerset, 111 Somerset Road, Singapore 238164

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your Shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return:

- Online at www.securitytransfer.com.au;
- In person at Suite 913, Exchange Tower, 530 Little Collins Street, Melbourne VIC 3000;
- By post to PO BOX 52, Collins Street West VIC 8007;
- By facsimile to +61 8 9315 2233 ;
- By scan and email to registrar@securitytransfer.com.au ; or
- By following the directions on the Proxy Form.

Please note that the Proxy Form must be received by the Company not later than **10:00 am (AWST) on 27 November 2019**.

Proxy Forms received later than this time will be invalid.

ENTITLEMENT TO ATTEND AND VOTE

The Company may specify a time, not more than 48 hours before the Meeting, at which a “snap-shot” of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the Annual General Meeting.

The Company’s Directors have determined that all Shares of the Company that are quoted on ASX at 9:30am (AWST) on 20 November 2019 shall, for the purposes of determining voting entitlements at the Annual General Meeting, be taken to be held by the persons registered as holding the Shares at that time.

PROXIES

Please note that:

- (a) a Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a Shareholder; and
- (c) a Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

CORPORATE REPRESENTATIVE

Any corporate Shareholder who has appointed a person to act as its corporate representative at the meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative. An appointment of corporate representative form can be obtained by via the Company's share registry website – www.securitytransfer.com.au.

ENQUIRIES

Shareholders are invited to contact the Company Secretary, Marcelo Mora on +61 7 3011 6335 if they have any queries in respect of the matters set out in this document.

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NOTICE OF ANNUAL GENERAL MEETING

Notice is given that an Annual General Meeting of the Shareholders of China Magnesium Corporation Limited (the **Company**) will be held at The Meeting Room @ Triple One Somerset, Level 3, 13 Triple One Somerset, 111 Somerset Road, Singapore on 29 November 2019 commencing at 10:00am (Singapore time/AWST) to consider, and if thought fit, to pass the Resolutions set out below.

Terms used in this Notice of Annual General Meeting and accompanying Explanatory Statement are defined in the glossary to this document.

The Explanatory Statement which accompanies and forms part of this Notice of Annual General Meeting describes the matters to be considered at the Annual General Meeting.

ORDINARY BUSINESS

1 FINANCIAL STATEMENTS AND REPORTS – PERIOD 1 JULY 2018 – 30 JUNE 2019

To receive and consider the Company's annual financial statements, the directors' report and the audit report of the Company for the year ended 30 June 2019.

2 RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT (NON-BINDING RESOLUTION)

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as a **non-binding resolution**:

“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, the Company adopts the Remuneration Report for the year ended 30 June 2019”.

Voting exclusion: The Company will disregard any votes cast on Resolution 1 by or on behalf of any member of the Key Management Personnel of the Company whose remuneration is included in the remuneration report, or a closely related party of such member. However, the Company will not disregard any votes cast on Resolution 1 by such person if the vote is not cast on behalf of a person who is otherwise excluded from voting on Resolution 1 as described above and either:

- (a) the person is acting as proxy and the Proxy Form specifies how the proxy is to vote on the Resolution; or
- (b) the person is the Chairman of the Meeting voting an undirected proxy and their appointment expressly authorises the Chairman to exercise the proxy even though Resolution 1 is connected with the remuneration of the Key Management Personnel of the Company.

If you are a member of the Key Management Personnel of the Company or a closely related party of such person (or are acting on behalf of any such person) and purport to cast a vote (other than as a proxy as permitted in the manner set out above), that vote will be disregarded by the Company (as indicated above) and you may be liable for an offence for breach of voting restrictions that apply to you under the Corporations Act.

3 RESOLUTION 2 – ELECTION OF MR JIN THEAN TEOH AS A DIRECTOR

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

“That, Jin Thean (Jason) Teoh, being a director who was appointed casually on 29 January 2019, retires in accordance with Listing Rule 14.4 and clause 19.5 of the Company’s Constitution and being eligible, offers himself for election, be elected as a Director of the Company”.

EXPLANATORY STATEMENT

The Explanatory Statement accompanying this Notice of Meeting is incorporated in and comprises part of this Notice of Meeting.

Shareholders are specifically referred to the glossary in the Explanatory Statement which contains definitions of capitalised terms used both in this Notice of Meeting and the Explanatory Statement.

Dated 28 October 2019

BY ORDER OF THE BOARD

Marcelo Mora

Company Secretary

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EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Company's 2019 Annual General Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions in the accompanying Notice of Annual General Meeting.

This Explanatory Statement should be read in conjunction with the Notice of Annual General Meeting preceding this Explanatory Statement. Capitalised terms in this Explanatory Statement are defined in the glossary to this document.

If you have any questions regarding the matters set out in this Explanatory Statement or the preceding Notice of Annual General Meeting, please contact the Company Secretary, your stockbroker or other professional adviser.

1 ANNUAL FINANCIAL STATEMENTS

The Corporations Act requires the annual financial report, directors' report and the auditor's report (**Annual Financial Statements**) to be received and considered at the Annual General Meeting. The Annual Financial Statements for the period ended 30 June 2019 are included in the Company's 2019 Annual Financial Report, a copy of which can be accessed on-line at www.chinamagnesiumcorporation.com.

There is no requirement for Shareholders to approve these reports and no vote will be taken on the Annual Financial Statements. However, Shareholders attending the Annual General Meeting will be given a reasonable opportunity to ask questions about, or make comments on, the Annual Financial Statements and the management of the Company.

The Company's auditor, Grant Thornton, will be present at the Annual General Meeting and Shareholders will have the opportunity ask the auditor questions in relation to the conduct of the audit, the auditor's report, the Company's accounting policies, and the independence of the auditor.

In addition to taking questions at the Meeting, written questions to the Chairman about the management of the Company, or to the Company's auditor about:

- (a) the preparation and content of the auditor's report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the Annual Financial Statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 27 November 2019 to Grant Thornton at GPO Box 1008 Brisbane QLD 4001.

2 RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT (NON-BINDING RESOLUTION)

2.1 Background

Pursuant to Section 250R(2) of the Corporations Act, the Company submits to Shareholders for consideration and adoption, by way of a non-binding resolution, its remuneration report for the year ended 30 June 2019 (the **Remuneration Report**). The Remuneration Report is a distinct section of the annual directors' report (the

Directors' Report) which deals with the remuneration of Directors, executives and senior managers of the Company. More particularly, the Remuneration Report can be found within the Directors' Report in the Company's 30 June 2019 Annual Report.

By way of summary, the Remuneration Report:

- (a) explains the Company's remuneration policy and the process for determining the remuneration of its Directors and executive officers;
- (b) addresses the relationship between the Company's remuneration policy and the Company's performance; and
- (c) sets out the remuneration details for each Director and executive officer named in the Remuneration Report for the financial year ended 30 June 2019.

The remuneration levels for Directors, executives and senior managers are competitively set to attract and retain appropriate Directors and Key Management Personnel.

The Chairman of the Annual General Meeting will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on, the Remuneration Report.

2.2 Regulatory Requirements

The Corporations Act provides that Resolution 1 need only be an advisory vote of Shareholders and does not bind the Directors. However, the Corporations Act provides that if the Company's Remuneration Report resolution receives a "no" vote of 25% or more of votes cast at the Annual General Meeting, the Company's subsequent Remuneration Report must explain the Board's proposed action in response or, if the Board does not propose any action, the Board's reasons for not making any changes. The Board will take into account the outcome of the vote when considering the remuneration policy, even if it receives less than a 25% "no" vote.

In addition, Sections 250U and 250V of the Corporations Act sets out a "two strikes" re-election process, pursuant to which:

- (a) if, at a subsequent annual general meeting (**Later Annual General Meeting**), at least 25% of the votes cast on a resolution that the remuneration report be adopted are against the adoption of that remuneration report;
- (b) at the immediately preceding annual general meeting (**Earlier Annual General Meeting**), at least 25% of the votes cast on a resolution that the remuneration report be adopted were against the adoption of that remuneration report; and
- (c) a resolution was not put to the vote at the Earlier Annual General Meeting under an earlier application of Section 250V of the Corporations Act,

then the Company must put to vote at the Later Annual General Meeting a resolution, requiring Shareholders to vote on whether the Company must hold another general meeting (**Spill Meeting**) to consider the appointment of all of the Directors at the time the Directors Report was approved by the Board who must stand for re-appointment (other than the Managing Director) (**Spill Resolution**). The Spill Resolution may be passed as an ordinary resolution.

If the Spill Resolution is passed, the Spill Meeting must be held within 90 days after the Spill Resolution is passed. All of the Company's Directors who were Directors

at the time when the resolution to make the Directors' Report was passed (excluding the Managing Director of the Company who may, in accordance with the ASX Listing Rules, continue to hold office indefinitely without being re-elected to the office) cease to hold office immediately before the end the Spill Meeting and may stand for re-election at the Spill Meeting.

At the Company's 28 November 2018 annual general meeting, less than 25% of the eligible votes cast in respect of the 2018 remuneration report were cast against the adoption of the 2018 remuneration report. Accordingly, a Spill Resolution will not be put to the Meeting even if 25% or more of the votes cast in respect of the 2019 Remuneration Report are against the adoption of the 2019 Remuneration Report

2.3 Board Recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 1.

3 RESOLUTION 2 – ELECTION OF JIM THEAN TEOH AS A DIRECTOR

3.1 Background

The Constitution allows the Directors to appoint a person to be a Director at any time either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to the Constitution and ASX Listing Rule 14.4, any Director so appointed holds office only until the next following annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation, if any, at that meeting.

Mr Teoh, having been appointed by the other Directors this year in accordance with the Constitution, will retire in accordance with the Constitution and ASX Listing Rule 14.4 and being eligible, seeks election from Shareholders.

3.2 Biography

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.

3.3 Board Recommendation

The Directors (other than Mr Teoh) unanimously recommend that Shareholders vote in favour of Resolution 2.

GLOSSARY

In this Explanatory Statement, the following terms have the following unless the context otherwise requires:

Annual Report	the Company's annual report dated 30 June 2019.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited or the securities market operated by ASX Limited, as the context requires.
AWST	Australian Western Standard Time.
Board	board of Directors.
Chairman	chairman of the Annual General Meeting.
Company	China Magnesium Corporation Limited ACN 125 236 731.
Constitution	constitution of the Company.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Director	director of the Company.
Directors' Report	the Directors' report contained in the Annual Report.
Equity Securities	has the meaning given to that term in the Listing Rules.
Explanatory Statement	the explanatory statement that accompanies this Notice of Annual General Meeting.
Grant Thornton	the Company's auditor, Grant Thornton Audit Pty Ltd
Listing Rules or ASX Listing Rules	official listing rules of the ASX.
Meeting or Annual General Meeting	the annual general meeting convened by this Notice of Annual General Meeting.
Notice of Annual General Meeting or Notice of Meeting	this notice of Annual General Meeting.
Proxy Form	the proxy form enclosed with this Notice of Annual General Meeting.
Remuneration Report	the report contained in the Directors' Report dealing with the remuneration of the Key Management Personnel for the year ended 30 June 2019.
Resolution	resolution contained in this Notice of Annual General meeting.
Restricted Securities	has the meaning given to that term in the Listing Rules.

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Share fully paid ordinary share in the capital of the Company.
Shareholder holder of a Share in the Company.

CHINA MAGNESIUM CORPORATION LIMITED

ACN: 125 236 731

REGISTERED OFFICE:

LEVEL 27
480 QUEEN STREET
BRISBANE QLD 4000

SHARE REGISTRY:

Security Transfer Australia Pty Ltd

All Correspondence to:

PO BOX 52
Collins Street West VIC 8007
Suite 913, Exchange Tower
530 Little Collins Street
Melbourne VIC 3000
T: 1300 992 916
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

«Company_code» «Sequence_number»

«Holder_name»
«Address_line_1»
«Address_line_2»
«Address_line_3»
«Address_line_4»
«Address_line_5»

Code:

CMC

Holder Number:

«HOLDER_NUM

PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

**VOTE
ONLINE**

Lodge your proxy vote securely at www.securitytransfer.com.au

1. Log into the Investor Centre using your holding details.
2. Click on "Proxy Voting" and provide your Online Proxy ID to access the voting area.

«ONLINE

SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

The meeting chairperson

OR

or failing the person named, or if no person is named, the Chairperson of the meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the Annual General Meeting of the Company to be held at 10:00am (Singapore time/AWST) on Friday 29 November 2019 at the Meeting Room @ Triple One Somerset, Level 3, 13 Triple One Somerset, 111 Somerset Road, Singapore 238164 and at any adjournment of that meeting.

SECTION B: Voting Directions

Please mark "X" in the box to indicate your voting directions to your Proxy. The Chairperson of the Meeting intends to vote undirected proxies in FAVOUR of all the resolutions.

In exceptional circumstances, the Chairperson of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

RESOLUTION

1. Adoption of Remuneration Report (Non-binding Resolution)

For

Against

Abstain*

2. Election of Mr Jin Thean Teoh as a Director

If no directions are given my proxy may vote as the proxy thinks fit or may abstain. * If you mark the Abstain box for a particular item, you are directing your Proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SECTION C: Signature of Security Holder(s)

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder

Sole Director & Sole Company Secretary

Security Holder 2

Director

Security Holder 3

Director/Company Secretary

Proxies must be received by Security Transfer Australia Pty Ltd no later than 10:00am (Singapore time/AWST) on Wednesday 27 November 2019.

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CMC

CMCPX2291119

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My/Our contact details in case of enquiries are:

Name:

Number:

()

1. NAME AND ADDRESS

This is the name and address on the Share Register of the Company. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

2. APPOINTMENT OF A PROXY

If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a shareholder of the Company.

3. DIRECTING YOUR PROXY HOW TO VOTE

To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

4. APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two (2) persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second Proxy, an additional Proxy form may be obtained by contacting the Company's share registry or you may photocopy this form.

To appoint a second Proxy you must:

- a) On each of the Proxy forms, state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each Proxy may exercise, each Proxy may exercise half of your votes; and
- b) Return both forms in the same envelope.

5. SIGNING INSTRUCTIONS

Individual: where the holding is in one name, the Shareholder must sign.

Joint Holding: where the holding is in more than one name, all of the Shareholders must sign.

Power of Attorney: to sign under Power of Attorney you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's share registry.

6. LODGEMENT OF PROXY

Proxy forms (and any Power of Attorney under which it is signed) must be received by Security Transfer Australia Pty Ltd no later than the date and time stated on the form overleaf. Any Proxy form received after that time will not be valid for the scheduled meeting.

The proxy form does not need to be returned to the share registry if the votes have been lodged online.

Security Transfer Australia Pty Ltd

Online www.securitytransfer.com.au

Postal Address PO BOX 52
Collins Street West VIC 8007

Street Address Suite 913, Exchange Tower
530 Little Collins Street
Melbourne VIC 3000

Telephone 1300 992 916

Facsimile +61 8 9315 2233

Email registrar@securitytransfer.com.au

PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Australia Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of security holders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Australia Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.



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