



China Magnesium Corporation Ltd.

Appendix 4D

Name of Entity:	China Magnesium Corporation Limited
ABN:	14 125 236 731
Current Financial Period Ended:	Half-Year ended 31 December 2019
Previous Corresponding Reporting Period	Half-Year ended 31 December 2018

Results for Announcement to the Market

	Percentage change Up or Down	%		\$'000
Revenue from ordinary activities	Down	19%	to	31
(Loss) from ordinary activities after tax attributable to members	Down	39%	to	(953)
(Loss) for the period attributable to members	Down	39%	to	(953)

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

Net Tangible Assets (NTA)	December 2019	December 2018
Net Tangible Assets per security	\$0.01	\$0.03

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

Compliance Statement

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



Jin Thean (Jason) Teoh
Executive Director CEO

28 February 2020

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China Magnesium Corporation Ltd.

ABN 14 125 236 731

**Interim financial report
for the half-year ended 31 December 2019**

China Magnesium Corporation Limited ABN 14 125 236 731
Interim financial report – 31 December 2019

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Directors' report

The Directors of China Magnesium Corporation Limited ("the Company") present their Report together with the interim financial statements of the consolidated entity, being the Company and its controlled entities ("the Group") for the half-year ended 31 December 2019.

Directors

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

J Teoh, M Mora (to 29 November 2019), XinPing Liang (to 29 November 2019)

A Tolfts (to 4 February 2020), P Tay (from 29 November 2019)

Review of operations

During the half-year the Group:

[a] The Company obtained shareholders approval for the SYMC disposal on 23 October 2019. The Company is negotiating with the buyer to extend the time to satisfy the conditions precedent for the sale from 29 February 2020 to a later time, factoring the current status in obtaining requisite shareholder and regulatory approvals. The Company will look to find alternative buyer in the event that no agreement is satisfactorily reached for the extension of time.

[b] completed successful placements for 43,333,332 shares raising \$1,300,000 before costs.

Results

For the half-year ended 31 December 2019 the consolidated entity recorded a loss after tax from continuing operations of \$953,265 (2018: loss of \$1,582,478) and total comprehensive loss of \$940,024 (2018: comprehensive loss: \$1,641,013).

Dividends

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

Auditor's independence declaration

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

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



Jin Thean (Jason) Teoh
Executive Director CEO
Brisbane QLD
28 February 2020

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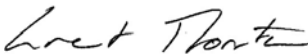
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Auditor's Independence Declaration

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 review of China Magnesium Corporation Limited for the half-year ended 31 December 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



Andrew Newman
Partner - Audit & Assurance

Brisbane, 28 February 2020

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Consolidated statement of comprehensive income for the half-year ended 31 December 2019

	Note	Consolidated half-year ended	
		31 Dec 2019	31 Dec 2018
		\$	\$
Revenue from continuing operations	2	30,000	30,000
Interest income		560	7,629
		30,560	37,629
Allowance for credit loss	3	(21,334)	-
Share of profit/(loss) of associate	7	(67,817)	(36,836)
Auditing and accounting expenses		(55,817)	(57,335)
Depreciation and amortisation		(31,998)	-
Employee benefits expense		(451,743)	(571,994)
Finance costs		(3,135)	(2,491)
Other expenses		(207,428)	(208,029)
Foreign exchange profit/(loss)		6,008	(367,580)
Lease interest		(18,230)	(23,644)
Lease amortisation		(65,109)	(90,129)
Travel expenses		(67,222)	(40,767)
		(953,265)	(1,361,176)
Profit/(loss) before income tax		(953,265)	(1,361,176)
Income tax		-	-
(Loss) after tax from continuing operations		(953,265)	(1,361,176)
(Loss) after tax from discontinued operations	5	-	(221,302)
(Loss) after tax for the period		(953,265)	(1,582,478)
Other comprehensive income			
Items that may subsequently be reclassified to profit and loss			
Foreign currency translation differences		13,241	(58,535)
Income tax on items of other comprehensive income		-	-
Other comprehensive income for the period (net of tax)		13,241	(58,535)
Total profit / (loss) for the period		(940,024)	(1,641,013)
Profit/(loss) at end of reporting period is attributable to:			
Owners of the parent		(953,265)	(1,563,114)
Non-controlling interests		-	(19,364)
		(953,265)	(1,582,478)
Total comprehensive income / (loss) at end of reporting period is attributable to:			
Owners of the parent		(939,768)	(1,619,409)
Non-controlling interests		(256)	(21,604)
		(940,024)	(1,641,013)
Earnings per share			
Basic and diluted earnings/(loss) per share (cents per share)		(0.2)	(0.5)

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

Consolidated statement of financial position as at 31 December 2019

	Note	Consolidated	
		31 Dec 2019 \$	30 June 2019 \$
ASSETS			
Current assets			
Cash and cash equivalents		623,996	295,056
Trade and other receivables	3	9,442	1,189,798
Inventories	4	312,144	80,633
Assets classified as held for sale	5	9,601,488	-
Total Current Assets		10,547,070	1,565,487
Non-current assets			
Prepayments	6	463,913	218,914
Property, plant and equipment		156,450	8,715,856
Right of use assets		318,310	381,490
Investments accounted for using equity method	7	4,969,684	5,037,501
Total Non-Current Assets		5,908,357	14,353,761
Total assets		16,455,427	15,919,248
LIABILITIES			
Current liabilities			
Trade and other payables		1,387,783	2,114,826
Lease liabilities		147,866	147,866
Employee benefits		13,295	17,725
Liabilities classified as held for sale	5	9,396,752	-
Total Current Liabilities		10,945,696	2,280,417
Non-current liabilities			
Lease liabilities		189,916	248,975
Trade and other payables		-	6,652,483
Borrowings		-	1,712,974
Total Non-Current Liabilities		189,916	8,614,432
Total liabilities		11,135,612	10,894,849
Net assets		5,319,815	5,024,399
EQUITY			
Contributed equity	8	32,375,283	31,139,843
Reserves		3,443,097	3,429,600
Accumulated losses		(29,575,923)	(28,622,658)
Total equity attributable to owners of the parent		6,242,457	5,946,785
Non-controlling interest		(922,642)	(922,386)
Total equity		5,319,815	5,024,399

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

Consolidated statement of changes in equity for the half-year ended 31 December 2019

	Contributed equity \$	Accumulate d losses \$	Foreign currency translation reserve \$	Change of interest in subsidiary reserve \$	Total \$	Non- controlling interest \$	Total equity \$
At 1 July 2018	23,892,855	(17,007,486)	2,928,987	518,930	10,333,286	(305,708)	10,027,578
(Loss) for the half-year	-	(1,563,114)	-	-	(1,563,114)	(19,364)	(1,582,478)
Other comprehensive income:							
Foreign currency translation difference	-	-	(56,295)	-	(56,295)	(2,240)	(58,535)
Total comprehensive income for the half- year	-	(1,563,114)	(56,295)	-	(1,619,409)	(21,604)	(1,641,013)
Transactions with owners in their capacity as owners							
Issue of shares	1,877,076	-	-	-	1,877,076	-	1,877,076
Cost of share issues	(5,706)	-	-	-	(5,706)	-	(5,706)
At 31 December 2018	25,764,225	(18,570,600)	2,872,692	518,930	10,585,247	(327,312)	10,257,935
At 1 July 2019	31,139,843	(28,622,658)	2,910,670	518,930	5,946,785	(922,386)	5,024,399
(Loss) for the half-year	-	(953,265)	-	-	(953,265)	-	(953,265)
Other comprehensive income:							
Foreign currency translation difference	-	-	13,497	-	13,497	(256)	13,241
Total comprehensive income for the half- year	-	(953,265)	13,497	-	(939,768)	(256)	(940,024)
Transactions with owners in their capacity as owners							
Issue of shares	1,300,000	-	-	-	1,300,000	-	1,300,000
Cost of share issue	(64,560)	-	-	-	(64,560)	-	(64,560)
At 31 December 2019	32,375,283	(29,575,923)	2,924,167	518,930	6,242,457	(922,642)	5,319,815

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

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Consolidated statement of cash flows for the half-year ended 31 December 2019

	Note	Consolidated Half-year ended	
		31 Dec 2019 \$	31 Dec 2018 \$
Cash flows from operating activities			
Receipts from customers		250,000	47,353
Payments to suppliers and employees		(885,793)	(969,000)
Interest received		560	7,629
Interest and other costs of finance paid		(3,135)	(68,845)
Net (outflow) from continuing operations		(638,368)	(982,863)
Net (outflow) from discontinued operations	5	-	(24,345)
Net cash inflow/(outflow) from operating activities		(638,368)	(1,007,208)
Cash flows from investing activities			
Refundable due diligence fee		(213,636)	-
Net cash inflow/(outflow) from investing activities		(213,636)	-
Cash flows from financing activities			
Proceeds from issue of shares		1,300,000	1,877,076
Share issue costs		(64,560)	(5,706)
Lease capital repayment		(52,011)	(90,129)
Lease interest		(18,230)	(23,644)
Net cash inflow/(outflow) from financing activities		1,165,199	1,757,597
Net increase (decrease) in cash and cash equivalents		313,195	750,389
Cash and cash equivalents at the beginning of the period		294,940	1,043,615
Effects of exchange rate changes on the balances of cash held in foreign currencies		15,861	43,248
Cash and cash equivalents at the end of the period		623,996	1,837,252

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant accounting policies

Statement of compliance

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

Basis of preparation

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

The 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.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company’s 2019 annual financial report. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group’s last annual financial statements for the year ended 30 June 2019. The accounting policies included in the Group’s last annual financial statements for the year ended 30 June 2019 are the relevant policies for the purposes of comparatives.

AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments became effective for periods beginning on or after 1 January 2018. AASB 16 Leases became effective for periods beginning on or after 1 January 2019. The Group had early adopted AASB 15 and AASB 16 in the full year financial statements ended 30 June 2018 as such there has been no change in the accounting policies relating to these standards for this interim period. The Group applied AASB 9 from 1 July 2018, which was for the year ended 30 June 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**Going concern**

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business. The Group incurred a net loss of \$953,265 (2018: \$1,582,478) and an operating cash outflow of \$638,368 (2018: \$1,007,208) for the period ended 31 December 2019. At that date, the Group had a net current liability position of \$398,626 (June 2019: net current liability \$714,930).

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

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

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

Should all of the above not eventuate, there exists a material uncertainty regarding the Company and the Group's ability to continue as a going concern, realise its assets, settle its liabilities and commitments in the ordinary course of business and at the amounts stated in the financial statements. If production does not commence as anticipated there will be a risk of impairment of the Group's property, plant and equipment.

2. Revenue from continuing operations

	Consolidated	
	2019	2018
	\$	\$
Other income (a)	30,000	30,000
	30,000	30,000

- (a) The Group provides support services at \$5,000 monthly to its 21.43% associate, Sovran White Singapore International Logistics Pte Ltd. It has ceased giving such support services for the other 40% associate, CMC Lithium Pty Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3 Trade and Other Receivables

	Consolidated	
	Dec 2019 \$	Jun 2019 \$
Trade debtors	139,706	395,206
Allowance for expected credit loss	(139,706)	(395,206)
Recoveries of previously expected credit loss	-	-
Other debtors	9,442	1,369,798
Allowance for expected credit loss	-	(380,000)
	9,442	1,189,798

4 Inventories

	Consolidated	
	Dec 2019 \$	Jun 2019 \$
Commodities	312,144	80,633

The balance as at 31 December 2019 relates to purchase of steel pipes for trading purposes. The inventories were slow moving and expected to be realised in the near future by this year when market improves

5 Assets classified as held for sale and discontinued operation

As announced to ASX on 6 August 2019, CMC has entered into a Sales and Purchase Agreement to sell its 91.25% interest in SYMC, subject to all conditions precedent being satisfied or waived no later than 29 February 2020 (or other dates as mutually agreed) for RMB 1million. Although a delay is expected due to circumstances beyond our control such as coronavirus, CMC will continue to complete this transaction, and currently has no reason to believe it will not complete once delays are worked through. Until the transaction is concluded, CMC is understood to have control of SYMC. Given the intention to dispose of SYMC, which will take effect from 30 June 2019, it has remained dormant in the current period. As such, there are no material transactions to report during the half year period. As such, as at 31 December 2019, SYMC represents an asset held for sale and is a discontinued operation. Revenue and expenses, gain and losses of this discontinued operation have been eliminated from the profit and loss of the Group's continuing operations and are shown as a single line item in the statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	2019 \$	2018 \$
Profit or loss of SYMC for the reporting period, including from remeasurement and disposal of assets and liabilities classified as held for sale		
Revenue	-	25,635
Costs of materials	-	(21,731)
Employee benefits expense	-	(27,179)
Depreciation and amortisation	-	(254,403)
Other expenses	-	125,221
Operating profit/(loss)	-	(152,457)
Finance costs	-	(68,845)
Profit/(loss) from discontinued operations before tax	-	(221,302)
Tax expense	-	-
Profit/(loss) for the half year	-	(221,302)
Loss before tax on remeasurement to fair value less costs to sell	-	-
Loss before tax on disposal	-	-
Profit/(loss) for the half year from discontinued operations	-	(221,302)
Cash flows of SYMC for the period under review		
Operating activities	-	(24,345)
Investing activities	-	-
Cash flows from discontinued operations		(24,345)
Carrying amounts of assets and liabilities of SYMC		
	Dec 2019	June 2019
Property, plant and equipment	8,408,400	-
Current assets - SYMC		
Inventories	79,498	-
Trade and other receivables	1,113,474	-
Cash and cash equivalents	116	-
Assets classified as held for sale	9,601,488	-
Current liabilities - SYMC		
Provisions	(4,368)	-
Trade and other payables	(8,368,696)	-
Borrowings	(1,023,688)	-
Due to related companies	-	-
Liabilities classified as held for sale	(9,396,752)	-
Net recoverable amount	204,736	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6 Prepayment

	Consolidated	
	2019 \$	30 June 2019 \$
Advance payment for trading	205,558	-
Refundable due diligence fee	213,636	-
Prepayment - SYMC	-	162,621
Rental deposits	44,719	56,293
	463,913	218,914

The advance payment for trading made in August 2019 has not progressed as expected. This should be refunded if the transaction is cancelled.

The refundable due diligence fee stated was part of the total fee of SGD300,000 (AUD320k). Should the potential acquisition proceeds or fail to materialise for whatever reasons, our expectation is this fee will be returned to CMC within three months unless mutually agreed otherwise.

7 Investment in associates

Name	Principal activities/Country of incorporation	2019 %	30 June 2019 %
Sovran White Singapore International Logistics Pte Ltd	Management services and distribution of produce from Plantation in China	21.43	21.43

Summarised statement of financial position

	Dec 2019	30 June 2019
Current assets	-	-
Non-current assets	21,000,000	21,000,000
Total assets	21,000,000	21,000,000
Current liabilities	127,175	80,000
Non-current liabilities	-	-
Total liabilities	127,175	80,000
Net assets	20,872,825	20,920,000

Summarised statement of profit or loss and other comprehensive income

	Dec 2019	Dec 2018
Revenue	-	-
Expenses	(47,175)	-
Profit/(loss) before income tax	(47,175)	-
Income tax expense	-	-
Profit/(loss) after income tax	(47,175)	-
Other comprehensive income	-	-
Total comprehensive income	(47,175)	-

Consolidated entity's carrying amount reconciliation

	Dec 2019	30 June 2019
Cost on initial recognition/Opening of period	4,482,856	4,500,000
Share of loss after income tax	(10,110)	(17,144)
Closing carrying amount	4,472,746	4,482,856

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**Update on investment in associate**

The distribution business is currently at the nascent stage, without any material transactions. There have been delays to the commencement of trade, including the effect of Coronavirus.

As the activity under the distribution rights has been delayed, CMC has reviewed relevant factors stated in AASB 128 to determine if objective evidence of impairment exists. CMC maintain that no impairment indicators present based on factors in AASB 128.

Name	Principal activities/Country of incorporation	Dec 2019 %	30 June 2019 %
CMC Lithium Pty Ltd	Preliminary exploration for lithium / Australia	40%	40%

Summarised statement of financial position

	Dec 2019	30 June 2019
Current assets	576,632	672,025
Non-current assets	700,000	700,000
Total assets	1,276,632	1,372,025
Current liabilities	35,702	26,553
Non-current liabilities	-	-
Total liabilities	35,702	26,553
Net assets	1,240,930	1,345,472

Summarised statement of profit or loss and other

	Dec 2019	Dec 2018
comprehensive income		
Revenue	-	-
Expenses	(104,542)	(92,090)
Profit/(loss) before income tax	(104,542)	(92,090)
Income tax expense	-	-
Profit/(loss) after income tax	(104,542)	(92,090)
Other comprehensive income	-	-
Total comprehensive income	(104,542)	(92,090)

Consolidated entity's carrying amount reconciliation

	Dec 2019	30 June 2019
Opening carrying amount	554,645	645,251
Share of loss after income tax	(57,707)	(90,606)
Closing carrying amount	496,938	554,645

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**8 Contributed equity**

	Consolidated		Consolidated	
	2019 Shares	6/2019 Shares	2019 \$	6/2019 \$
Share capital				
Ordinary shares fully paid	505,771,888	462,438,556	32,375,283	31,139,843

During the half year, the company issued 43,333,332 (2018: 37,541,522) ordinary shares at \$0.03, raising \$1,300,000 before costs pursuant to share placements.

Movements in ordinary share capital

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

*Issue price rounded to two decimal places

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.

Shares in escrow

There were no shares in escrow at 31 December 2019 (2018: nil).

9 Segment reporting

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**10. Significant events and transactions**

During the half year, the Group:

- (a) Completed successful share placements for 43,333,332 shares raising \$1,300,000 before costs.
- (b) Obtained shareholders approval for the SYMC disposal on 23 October 2019. The Company is negotiating with the buyer to extend the time to satisfy the conditions precedent for the sale from 29 February 2020 to a later time, factoring the current status in obtaining requisite shareholder and regulatory approvals. The Company will look to find alternative buyer in the event that no agreement is satisfactorily reached for the extension of time.

11. 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.

12 Contingencies and Commitments

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. This sale was approved by shareholders on 23 October 2019. The completion of the sale is subject to remaining conditions precedent being satisfied or waived by no later than 29 February 2020 or other dates as mutually agreed. In view of the pending disposal of SYMC, there are no capital commitments at 31 December 2019.

13 Events subsequent to half year

The Company entered into a confidential, non-binding due diligence exercise on a potential acquisition, which is still in its preliminary stage of negotiations, with a refundable fee payable of SGD 300,000 paid out.

Mr Antony Tolfts resigned due to other commitments, as a Non-Executive Director and Company Secretary on 4 February 2020. A new Non-Executive Director will be appointed as soon as relevant matters have been finalized. The recently appointed director, Mr Peter Tay will now assume the role of Company Secretary.

No other matter or circumstance has occurred subsequent to half year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**14 Critical accounting judgements and estimates**

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

- (a) The use of that going concern basis of accounting is appropriate (refer Note 1).
- (b) The Company considered the factors stated in AASB 128 to determine whether there is objective evidence of impairment in the net investment of its associates. CMC maintained that no impairment is necessary having considered those factors.
- (c) Although a delay in SYMC disposal is expected due to circumstances beyond our control such as the coronavirus, CMC will continue to complete this transaction. Until the transaction is concluded, CMC is understood to have control of SYMC

Directors' declaration

In the opinion of the directors:

- (a) The attached interim 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 consolidated entity's financial position as at 31 December 2019 and the performance for the half-year ended on that, and
 - ii) Complying with Australian Accounting Standard AASB 134 Interim Financial Reporting;
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Jin Thean (Jason) Teoh
Executive Director CEO
Brisbane
28 February 2020

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Independent Auditor's Review Report To the Members of China Magnesium Corporation Limited

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of China Magnesium Corporation Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of China Magnesium Corporation Limited does not give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of \$953,265 during the half year ended 31 December 2019 and, its operating cash outflows for that period were \$638,368. At that date, the Group had a net current liability position of \$398,626. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Emphasis of Matter: Material Uncertainty regarding Impairment of Investments in Equity Accounted Associates and Subsidiaries

We draw attention to Note 7 in the financial report which discloses the Group's assessment of impairment indicators for its investments in equity accounted associates and the assumptions on which that assessment is based.

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As a result of the impairment review, the Directors have determined that there are not impairment indicators present based on the requirements in AASB 128 *Investments in Associates and Joint Ventures*. However they have identified the significant uncertainty relating to the commencement of operations of the associate due to the effects of the corona virus.

We draw attention to Note 5 in the financial report which discloses the Group's disposal of its investment in SYMC. While this disposal has not yet completed, the remaining net carrying amount of the investment in SYMC is the expected proceeds under the disposal agreement. There have been delays in finalising the sale, which have been exacerbated by the effects of the corona virus.

The above conditions indicate there is a material uncertainty regarding the recoverable amount of the associate and the proceeds from the sale of SYMC. Our conclusion is not modified in respect of this matter.

Directors' Responsibility for the Half Year Financial Report

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

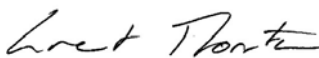
Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of China Magnesium Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Grant Thornton Audit Pty Ltd
Chartered Accountants



A F Newman
Partner – Audit & Assurance

Brisbane, 28th February 2020

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