



30 April 2020

## **Activities Report – Update for the quarter ended 31 March 2020**

During the quarter, CMC carried out an ongoing cost management exercise to conserve its resources. The expenditure during the quarter at around \$174k was mainly relating to professional fees such as audit fee, office lease, insurance and salaries. With this exercise, CMC expects the level of net operating cash flows would be further reduced.

As required under rule 4.7C pursuant to the Quarterly activity report, CMC paid about \$11,000 to the related parties during the 2020 March quarter, which were part payment of salaries and fees to CMC's directors.

The March quarter was a challenging time for many businesses due to the Covid-19 pandemic. Similarly, the activities of China Magnesium Corporation Limited (CMC) were also adversely affected. There were no substantive business activities during the quarter and below are some updates:

### **Disposal of CMC's 91.25% interests in Shanxi YuShun Magnesium Co Ltd (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 (its 91.25% subsidiary in China) for RMB 1,000,000 subject to all relevant approvals being obtained. This has been approved by shareholders on 23 October 2019. The Company is in negotiation with the buyer to extend the time to satisfy the remaining conditions precedent for the sale from 29 February 2020 to a later time. In view of the uncertainty arising from the Covid-19 pandemic, we are unable to determine the timing of completion for this transaction at the moment.



### **Lithium tenements**

CMC has a 40% equity interest in CMC Lithium which owns two tenements in the Greenbushes area of Western Australia. For the 3-month period to 31 March 2020, the Covid-19 situation has caused some difficulties and slowed things down. CMC Lithium is putting on hold the progression with land and environmental access for possible further drilling.

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

As announced to ASX on 8 March 2019, CMC executed a Management Services Agreement to acquire 21.43% of Sovran White (Shandong) Logistics International Company Ltd (SWSI). In June 2019, SWSI novated its rights and obligations to Sovran White (Singapore) International Logistics Pte Ltd. (SWL)

From the existing high-level agreement and based on our preliminary understanding, we believe there would be further negotiations between the contracting parties to agree on detailed terms of the specific services. In view of the Covid-19 situation, this has been further delayed.

Authorised by:

Board of China Magnesium Corporation Limited

For further information, please contact:

Peter Tay

Company Secretary

+617-30116335

[info@chinamagnesiumcorporation.com](mailto:info@chinamagnesiumcorporation.com)

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## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

CHINA MAGNESIUM CORPORATION LIMITED

**ABN**

14 125 236 731

**Quarter ended ("current quarter")**

31 March 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	250
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	-	(500)
(c) advertising and marketing		
(d) leased assets	(38)	(108)
(e) staff costs	(16)	(73)
(f) administration and corporate costs	(120)	(450)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	-	(3)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(174)</b>	<b>(883)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property		
(f) other non-current assets		

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)	(106)	(320)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(106)</b>	<b>(320)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	1,300
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(65)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>1,235</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	610	295
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(174)	(883)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(106)	(320)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	1,235
4.5	Effect of movement in exchange rates on cash held	10	13
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>340</b>	<b>340</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	340	610
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>340</b>	<b>610</b>

**6. Payments to related parties of the entity and their associates**

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

11

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

The payments made in 6.1 were part payments of salaries and fee to directors of the company

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**7. Financing facilities**

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(174)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	340
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	340
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	1.95

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

The entity expects the level of net operating cash flows would be further reduced based on the ongoing cost management exercise. If we exclude certain expenses that do not recur each quarter, the net cash used in operating activities will reduce by about \$60k to \$114k. Thus, the item 8.5 above will be around 3 quarters

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

- a. Due to the current COVID-19 pandemic, it is not possible to continue with the due diligence for a potential acquisition. Notwithstanding the current situation, CMC is still keen to explore the viability of this potential transaction. CMC is still in negotiation and is entitled to a refund of the SGD 300k (AUD 320k) when we decided not to pursue this transaction.
- b. Depending on the extent of the impact caused by this pandemic, the entity believes it would be able to take steps as necessary to fund its operations.

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3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, based on CMC's cash flow forecasts over the next 12 months.

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 April 2020

Authorised by: By the Board

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.