



Appendix 4D

Name of Entity:	China Magnesium Corporation Limited
ABN:	14 125 236 731
Current Financial Period Ended:	Half-Year ended 31 December 2010
Previous Corresponding Reporting Period	Half-Year ended 31 December 2009

Results for Announcement to the Market

	Percentage change Up or Down	%	\$'000
Revenue from ordinary activities	Up	100%	to 337,553
Profit/(loss) from ordinary activities after tax attributable to members	Up	354%	to (576,479)
Profit/(loss) for the period attributable to members	Up	354%	to (576,479)

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 2009	December 2010
Net Tangible Assets per security	\$0.12	\$0.10

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

China Magnesium Corporation Limited (CMC) completed an initial public offering (IPO), raising \$12million, and listed on the ASX on 9 November 2010.

During the half-year ended 31 December 2010 the Company contributed \$7,475,000 capital to its joint venture subsidiary Shanxi Luyuan Magnesium Company Limited in China to fund the upgrade and expansion of an existing magnesium ingot producing plant which has been on care and maintenance since October 2008. The capital injection increased CMC's interest in the joint venture company from 30.6% to 90.7%.

Shares on issue in CMC increased from 79,160,000 to 127,160,000 during the half-year period.

Revenue

Revenue in the current half-year includes the sale of magnesium ingots produced prior to the magnesium plant being put on care and maintenance in 2008, and interest earned.

Loss

Loss from ordinary activities has increased due to the additional level of activity in the group throughout the IPO phase and as the upgrade and expansion of the existing magnesium ingot producing plant proceeds.

Summary

Since listing on ASX on 9 November 2010, the Company has;

- increased its interest in the joint venture interest in China from 31% to 90.7%
- commenced capital works on the existing plant upgrade (5,000tpa nameplate capacity) in December. Contracts have been let and work has commenced on upgraded major components, including the rotary kiln, coal to gas plant and magnesium refinery.
- obtained land use rights for the first phase expansion (to 20,000tpa) after the end of the half-year
- maintained a strong balance sheet, with \$10.7million cash at bank and no debt as at 31 December 2010.

Compliance Statement

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



Tom Blackhurst
Managing Director
Southport QLD
17 February 2011



China Magnesium Corporation Ltd.

ABN 14 125 236 731

**Interim financial report
for the half-year ended 31 December 2010**

China Magnesium Corporation Limited ABN 14 125 236 731
Interim financial report – 31 December 2010

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Directors' report

Your directors present their report on the consolidated entity consisting of China Magnesium Corporation Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2010.

Directors

The following persons were directors of China Magnesium Corporation Limited during the whole of the half-year and up to the date of this report:

W Bass
T Blackhurst
M Clarey
P Robertson
X Liang

Mr Adam Gallagher resigned as company secretary on 28 November 2010 and Mr Garry Edwards was appointed company secretary on the same date. Mr Damien Kelly was appointed as an additional company secretary on 1 February 2011.

Review of operations

During the half year the company issued 48,000,000 ordinary shares at 25 cents per share and 12,000,000 attaching options in terms of its initial public offer. The company's shares were listed on the Australian Securities Exchange (ASX) on 9 November 2010.

During the period the Company contributed an additional \$7.47million to the capital of its subsidiary Shanxi Luyuan Magnesium Company Limited (SLMC) and increased its interest in SLMC by 60%. The company now owns 90.7% of the shares in SLMC. Capital works have commenced on the upgrade and first phase expansion of the SLMC magnesium plant.

Dividends

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

Auditor's independence declaration

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

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



Tom Blackhurst
Managing Director

Southport
17 February 2011

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

As lead auditor of China Magnesium Corporation Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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



Anthony J Whyte

Director

BDO Audit (QLD) Pty Ltd

Brisbane, 17 February 2011

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Consolidated statement of comprehensive income for the half-year ended 31 December 2010

	Consolidated Half-year ended	
	31 Dec 2010	31 Dec 2009
	\$	\$
Revenue from continuing operations	337,553	1,196
Expenses		
Auditing and accounting	(61,344)	-
Consulting fees	(324,567)	(40,000)
Decrease in inventory	(282,204)	-
Depreciation and amortisation expenses	(79,567)	(83,476)
Employee benefits	(42,674)	-
Finance costs	(612)	(137)
Other expenses	(168,592)	(51,883)
Travel expenses	(60,949)	(10,647)
	<u>(682,956)</u>	<u>(184,947)</u>
Loss before income tax	(682,956)	(184,947)
Income tax	-	-
Loss after tax from continuing operations	<u>(682,956)</u>	<u>(184,947)</u>
Other comprehensive income		
Foreign currency translation differences	(101,537)	(7,505)
Income tax on items of other comprehensive income	-	-
	<u>(101,537)</u>	<u>(7,505)</u>
Other comprehensive income/(loss) for the period (net of tax)	<u>(101,537)</u>	<u>(7,505)</u>
Total comprehensive income/(loss) for the period	<u>(784,493)</u>	<u>(192,452)</u>
Loss for the period is attributable to:		
Owners of the parent	(576,479)	(127,015)
Non-controlling interests	(106,477)	(57,932)
	<u>(682,956)</u>	<u>(184,947)</u>
Total comprehensive income/(loss) for the period is attributable to:		
Owners of the parent	(607,549)	(129,316)
Non-controlling interests	(176,944)	(63,136)
	<u>(784,493)</u>	<u>(192,452)</u>
Earnings per share		
Basic and diluted earnings/(loss) per share (cents per share)	(0.007)	(0.013)

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 2010

	Note	Consolidated	
		31 Dec 2010 \$	30 June 2010 \$
ASSETS			
Current assets			
Cash and cash equivalents		10,702,127	1,157,340
Trade and other receivables		452,511	154,459
Inventories		111,010	381,430
Prepayments		96,797	151,886
Total Current Assets		<u>11,362,445</u>	<u>1,845,115</u>
Non-current assets			
Property, plant and equipment		1,215,275	1,241,487
Other		148,945	151,900
Total Non-Current Assets		<u>1,364,220</u>	<u>1,393,387</u>
Total assets		<u>12,726,665</u>	<u>3,238,502</u>
LIABILITIES			
Current liabilities			
Trade and other payables		238,390	245,147
Total Current Liabilities		<u>238,390</u>	<u>245,147</u>
Total liabilities		<u>238,390</u>	<u>245,147</u>
Net assets		<u>12,488,275</u>	<u>2,993,355</u>
EQUITY			
Contributed equity	4	12,464,763	2,185,350
Reserves		313,846	(68,401)
Accumulated losses		(1,045,098)	(468,619)
Total equity attributable to owners of the parent		<u>11,733,511</u>	<u>1,648,330</u>
Non-controlling interest		754,764	1,345,025
Total equity		<u>12,488,275</u>	<u>2,993,355</u>

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

Consolidated statement of changes in equity for the half-year ended 31 December 2010

	Contributed equity	Accumulated losses	Foreign currency translation reserve	Change of interest in subsidiary reserve	Total	Non-controlling interest	Total equity
	\$	\$	\$	\$	\$	\$	\$
At 1 July 2009	859,350	(78,654)	(84,046)	-	696,650	1,486,839	2,183,489
Loss for the half-year		(127,015)			(127,015)	(57,932)	(184,947)
Other comprehensive income:							
Foreign currency translation difference	-	-	(2,301)	-	(2,301)	(5,204)	(7,505)
Total comprehensive income/(loss) for the half-year	-	(127,015)	(2,301)	-	(129,316)	(63,136)	(192,452)
At 31 December 2009	859,350	(205,669)	(86,347)	-	567,334	1,423,703	1,991,037
At 1 July 2010	2,185,350	(468,619)	(68,401)	-	1,648,330	1,345,025	2,993,355
Loss for the half-year	-	(576,479)	-	-	(576,479)	(106,477)	(682,956)
Other comprehensive income:							
Foreign currency translation difference	-	-	(31,070)	-	(31,070)	(70,467)	(101,537)
Total comprehensive income/(loss) for the half-year	-	(576,479)	(31,070)	-	(607,549)	(176,944)	(784,493)
Transactions with owners in their capacity as owners							
Issue of shares - IPO	12,000,000	-	-	-	12,000,000	-	12,000,000
Cost of share issue	(1,720,587)	-	-	-	(1,720,587)	-	(1,720,587)
Adjustment of non-controlling interest upon increasing interest in subsidiary	-	-	(54,662)	467,979	413,317	(413,317)	-
At 31 December 2010	12,464,763	(1,045,098)	(154,133)	467,979	11,733,511	754,764	12,488,275

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

Consolidated statement of cash flows for the half-year ended 31 December 2010

	Consolidated	
	Half-year ended	
	31 Dec 2010	31 Dec 2009
	\$	\$
Cash flows from operating activities		
Receipts from customers	246,070	-
Payments to suppliers and employees	(974,673)	(101,012)
Interest received	71,741	1,196
Interest and other costs of finance paid	(612)	(137)
Income taxes (paid) recovered	-	-
Net cash inflow/(outflow) from operating activities	<u>(657,474)</u>	<u>(99,953)</u>
Cash flows from investing activities		
Purchase of plant and equipment	<u>(73,668)</u>	-
Net cash inflow/(outflow) from investing activities	<u>(73,668)</u>	-
Cash flows from financing activities		
Proceeds from issue of shares	12,000,000	-
Share issue costs	<u>(1,720,587)</u>	-
Net cash inflow/(outflow) from financing activities	<u>10,279,413</u>	-
Net increase in cash and cash equivalents	9,548,271	(99,953)
Cash and cash equivalents at the beginning of the period	1,157,340	181,962
Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the period	<u>(3,484)</u>	<u>(2,493)</u>
Cash and cash equivalents at the end of the period	<u>10,702,127</u>	<u>79,516</u>

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

Notes to the consolidated financial statements

1. Significant accounting policies

Statement of compliance

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

Basis of preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2010 annual financial report. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

2. Segment Reporting

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

Accordingly, management currently identifies the group as having only one reportable segment, being the processing and distribution of magnesium. There have been no changes in the operating segments during the half-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.

Notes to the consolidated financial statements (continued)

3. Subsidiaries

On 15 November 2010, China Magnesium Corporation Limited (CMC) contributed an additional \$2,035,000 to the capital of Shanxi Luyuan Magnesium Company Limited (SLMC) and increased its interest in SLMC by 44.4%. On 29 December 2010 CMC contributed a further \$5,440,000 to the capital of SLMC and increased its interest in SLMC by 15.7%. The company now holds 90.7% of the issued capital in SLMC.

As a result of increasing its interest in SLMC, during the half-year ended 31 December 2010 the non-controlling interest in SLMC decreased by \$413,317 and \$54,662 of the foreign currency translation reserve was reattributed to the owners of CMC. The carrying amount of the non-controlling interest acquired exceeded the capital contribution made by CMC by \$467,979. This has been recognised in the change of interest in subsidiary reserve within equity.

4. Contributed equity

During the half year the company issued 48,000,000 ordinary shares at 25 cents per share and 12 million attaching options in terms of its initial public offer. The company's shares were listed on the Australian Securities Exchange (ASX) on 9 November 2010. Expenses of the share issue were \$1,720,587.

The options are only exercisable, at an exercise price of 25 cents per share, if a project delay occurs. A project delay occurs if, on or before 30 December 2011 (unless extended), the company has not made an announcement to the ASX that practical completion of the upgrade and first phase expansion has been achieved at a capital expenditure cost of RMB 52.6 million or less.

There were no movements in the issued capital of the company in the prior interim reporting period.

5. Contingencies and Commitments

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

The Group had the following commitments for capital expenditure items at the end of the period:

	Consolidated Entity	
	Half-year ended	
	31 Dec 2010	30 June 2010
	\$	\$
Expected to be paid within one year	340,000	-
Expected to be paid later than one year	-	-
Total	<u><u>340,000</u></u>	<u><u>-</u></u>

Notes to the consolidated financial statements (continued)

6. Related party transactions

During the six months ended 31 December 2010 the following executive service agreements were entered into. These agreements apply for a period of three years from November 2010:

- a) Dominion Pacific Finance Pty Ltd, a company owned by Mr Blackhurst will provide the services of Mr Blackhurst as CEO of the Company for an annual fee of \$350,000.
- b) Singapore Energy & Equipment Investment Pte Ltd (**Consultant**), a company owned by Mr Liang, will provide the services of Mr Liang as executive Director of the Company for an annual fee of \$300,000.

The agreements may be terminated without notice before the end of the term; immediately by the Company 'for cause'; or immediately by the Consultant if the Company fails to pay the consultancy fee or the Company becomes insolvent.

If the agreement is terminated for any reason other than the termination 'for cause' or resignation of the Consultant, provided that the Consultant has provided the services for three months of the term, the Consultant is entitled to 12 months' remuneration.

After the end of the term, the agreement may be terminated by either party by providing 3 months notice to the other (or, if terminated by the Company, payment in lieu of such notice).

During the six months ended 31 December 2010 the Company entered into an agreement with Mr Bass to act in the position of non-executive Chairman for one year from November 2010 for an annual fee of \$70,000. The agreement may be terminated without notice before the end of the term; immediately by the Company 'for cause', or if Mr Bass ceases to be a director of the Company. If the agreement is terminated for any other reason, provided that Mr Bass has provided the services for three months of the term, he is entitled to 12 months' remuneration on termination.

7. Subsequent Events

On 15 February 2011 the Group, through 90.7% owned subsidiary SLMC received the formal approval of a 50 year right-to-use 6 hectares of industrial land in Pingyao county, Shanxi Province in China. The land will be used to accommodate the expansion of the Pingyao Magnesium plant.

The total cost of the land usage right, including a previous the deposit of \$148,945 included in Non-current assets – other in the above Statement of Financial Position, was \$1,065,715.

Directors' declaration

In the opinion of the directors:

- (a) The attached financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - i) Giving a true and fair view of the financial position as at 31 December 2010 and the performance for the half-year ended on that date of the consolidated entity.
 - ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Tom Blackhurst
Managing Director

Southport
17 February 2011

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CHINA MAGNESIUM CORPORATION LIMITED

We have reviewed the accompanying half-year financial report of China Magnesium Corporation Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of China Magnesium Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (QLD) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'A J Whyte', is written over a circular stamp or seal.

A J Whyte

Director

Brisbane, 17 February 2011

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