CVM Minerals Limited
南亞礦業有限公司

(incorporated in Hong Kong with limited liability)

Stock Code: 705

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

HIGHLIGHTS

The Directors announce the consolidated results of the Group for the year ended 31 December 2009.

The consolidated loss attributable to equity holders of the Company for the year ended 31 December 2009 was approximately $14.1 million. The total net assets value of the Group as at 31 December 2009 was approximately $119.4 million.

As at 31 December 2009, the carrying value of fixed assets of the Group had increased by 103% to approximately $474.3 million from approximately $233.3 million as at 31 December 2008. Construction in progress represents approximately 97% of the carrying value of fixed assets as at 31 December 2009.

The construction of the Perak Magnesium Smelter Plant (the "Smelter") is still in progress and all of the principal factory buildings have now been erected and all of the major machinery components are on site and are being assembled, installed and tested. Hot-Test on reduction furnaces are progressing well although minor adjustment and modification is required to be carried out. The Company currently estimates that the Hot-Test will be completed in March 2010 and commercial production of the Smelter will commence in or about April 2010.

RESULTS

The board (the "Board") of directors (the "Directors") of CVM Minerals Limited (the "Company") hereby announces the consolidated results of the Company and its subsidiary (collectively referred to as the "Group") for the year ended 31 December 2009 together with the comparative figures for 2008, as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	**2009**	2008
Turnover	3	**$ —**	$ —
Other revenue	4	**2,163,189**	25,132
Other net income/(loss)	5	**3,930,839**	(404,353)
Administrative expenses		**(20,108,658)**	(9,151,230)
Loss from operations		**$(14,014,630)**	$ (9,530,451)
Finance costs	6(a)	**(78,636)**	(967,803)
Loss before taxation	6	**$(14,093,266)**	$(10,498,254)
Income tax	7	**(10,725)**	—
Loss for the period attributable to equity shareholders of the Company		**$(14,103,991)**	$(10,498,254)
Loss per share	8		
Basic and diluted		**(0.78 cents)**	(0.77 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	2009	2008
Loss for the year	**$(14,103,991)**	$(10,498,254)
Other comprehensive income/(loss) for the year		
Exchange differences on translation of financial statements of overseas subsidiary	**1,126,698**	(3,259,044)
Total comprehensive loss for the year attributable to equity shareholders of the Company	**$(12,977,293)**	$(13,757,298)

CONSOLIDATED BALANCE SHEET
As at 31 December 2009
(Expressed in Hong Kong dollars)

	Note	**2009**	2008
Non-current assets			
Fixed assets	10		
- Property, plant and equipment		**$ 461,465,543**	$ 220,529,338
- Interest in leasehold land held for own use under operating lease		**12,799,191**	12,769,458
Exploration and evaluation assets		**3,683,359**	3,637,463
Mining deposit		**203,692**	201,154
		$ 478,151,785	$ 237,137,413
Current assets			
Inventories		**$ 235,156**	$ —
Prepayments, deposits and other receivables	11	**6,672,225**	16,345,864
Amount due from a related party		**—**	234,203
Pledged deposits		**3,352,704**	—
Cash and cash equivalents		**4,155,067**	32,227,099
		$ 14,415,152	$ 48,807,166
Current liabilities			
Obligations under finance leases		**$ 86,629**	$ 81,145
Other payables and accrued expenses	12	**4,717,040**	61,060,734
Amount due to related parties		**7,092,930**	—
Amount due to a director		**3,005,549**	—
Bank loans - secured	13	**357,757,920**	25,489,567
		$ 372,660,068	$ 86,631,446
Net current liabilities		**$ (358,244,916)**	$ (37,824,280)
Total assets less current liabilities		**$ 119,906,869**	$ 199,313,133

	Note	**2009**	2008
Non-current liabilities			
Bank loans - secured	13	**$ —**	$ 66,349,854
Obligations under finance leases		**516,186**	595,303
		$ 516,186	$ 66,945,157
Net assets		**$ 119,390,683**	$ 132,367,976
Capital and reserves			
Share capital		**$ 45,100,000**	$ 45,100,000
Reserves		**74,290,683**	87,267,976
Total equity		**$ 119,390,683**	$ 132,367,976

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 31 December 2009
(Expressed in Hong Kong dollars)

	Share premium	Exchange reserve	Other reserve	Accumulated losses	Total
At 1 January 2008	$ —	$ 7,073,359	$ —	$ (4,995,024)	$ 2,078,335
Adjustment arising from reverse acquisition	—	—	30,856,527	—	30,856,527
Share issued pursuant to the share placing and public offer	68,090,412	—	—	—	68,090,412
Total comprehensive loss for the year	—	(3,259,044)	—	(10,498,254)	(13,757,298)
At 31 December 2008	$68,090,412	$ 3,814,315	$30,856,527	$(15,493,278)	$ 87,267,976
At 1 January 2009	$68,090,412	$ 3,814,315	$30,856,527	$(15,493,278)	$ 87,267,976
Total comprehensive loss for the year	—	1,126,698	—	(14,103,991)	(12,977,293)
At 31 December 2009	**$68,090,412**	**$ 4,941,013**	**$30,856,527**	**$(29,597,269)**	**$ 74,290,683**

Notes to the Financial Information

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS"), which include Hong Kong Accounting Standards ("HKASs") and related interpretations, promulgated by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The consolidated financial statements also comply with the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial information set out in this announcement does not constitute the Group's consolidated financial statements for the year ended 31 December 2009, but is derived from these financial statements.

As at 31 December 2009, the Group had net current liabilities of $358,244,916 (2008: $37,824,280). The loss after taxation of the Group amounted to $14,103,991 (2008: $10,498,254) for the year ended 31 December 2009. In view of these circumstances, the directors have given careful consideration to the future liquidity and performance of the Group in assessing whether the Group will have sufficient financial resources to continue as a going concern.

As disclosed in the announcements made by the Company during the year ended 31 December 2009, the completion of the construction of the first production line of the magnesium smelter in Perak, Malaysia ("Perak Magnesium Smelter") and the commencement of its commercial production have been delayed from July 2009 to in or about April 2010 due to the following reasons: (i) delay in shipments of equipment and machinery mainly due to bad weather conditions brought about by the various typhoons that affected the Asia Pacific region and the difficulty in sourcing alternative shipment arrangements on short notice; and (ii) delay in carrying out Hot Test of certain major equipment and machinery, particularly the rotary kiln (a key process of magnesium smelting is dolomite calcinations which involves the feeding of dolomite into the rotary kiln) caused by delay in delivery of equipment and machinery; and (iii) re-scheduling of Hot Test for the entire production system from a single exercise to progress the Hot Test in stages for safety reasons.

Despite the delay in commencement of the commercial production of Perak Magnesium Smelter, the directors are of the opinion that the use of the going concern assumption in the preparation of the financial statements is appropriate as the directors are of the view that the Group will have sufficient means to finance the Group's working capital in the absence of any unforeseeable circumstances as described below.

(i) *Available banking facilities*

In order to finance the construction of Perak Magnesium Smelter, the Group's subsidiary, Commerce Venture Magnesium Sdn. Bhd. ("CVMSB") obtained banking facilities in a total of RM172.6 million (equivalent to $390.6 million), which comprise of a banking facility amounting to RM115.6 million (equivalent to $261.6 million) from Kuwait Finance House

(Malaysia) Berhad ("KFHMB") and term loan facilities amounting to RM57 million (equivalent to $129 million) from Bank Kerjasama Rakyat Malaysia Berhad ("Bank Rakyat"). The banking facility provided by KFHMB is guaranteed by Bank Rakyat and is convertible into a term loan facility, offered by Bank Rakyat, with tenure of ten years from the conversion date (i.e. the date of commencement of operation of Perak Magnesium Smelter).

Up to 31 December 2009, CVMSB has drawn down RM99.6 million (equivalent to $225.4 million) (2008: RM31.4 million (equivalent to $70.2 million)) and RM55.5 million (equivalent to $125.6 million) (2008: RM12.7 million (equivalent to $28.5 million)) from KFHMB and Bank Rakyat respectively. Unutilised banking facilities amounted to a total of RM17.5 million (equivalent to $39.6 million) (2008: RM103.5 (equivalent to $231.2 million)) as at 31 December 2009. Upon commencement of the operation of Perak Magnesium Smelter which is expected to be in or about April 2010, short term bank loan from KFHMB amounted to RM99.6 million (equivalent to $225.4 million) as at 31 December 2009 will be converted into a ten years term loan provided by Bank Rakyat.

In accordance with the bank loan agreements, the Group is required to repay instalments in a total of RM1,383,180 (equivalent to $3,043,134) to Bank Rakyat during the year ended 31 December 2009. However, the Group only repaid instalments in a total of RM600,000 (equivalent to $1,320,060) to Bank Rakyat during the year ended 31 December 2009 based on the Group's proposal on re-scheduling of repayment of instalments submitted to Bank Rakyat on 12 January 2010.

Given the repayment of instalments of bank loans made by the Group during the year ended 31 December 2009 was not in accordance with the terms of the bank loan agreements, it is considered as an event of default under the bank loan agreements. In the event of default, all the outstanding bank loans would become due for repayment immediately. As a result, bank loans amounted to RM54,077,598 (equivalent to $122,390,704) was reclassified from non-current liabilities to current liabilities as at 31 December 2009.

On 19 February 2010, Bank Rakyat has confirmed that it has no objection to consider the proposal on re-scheduling of repayment of instalments submitted by the Group. In addition, Bank Rakyat also confirmed that it has no intention of declaring an event of default and recall the bank loan facilities provided to the Group. In the event if Bank Rakyat is not agreeable to the above proposal submitted by the Group, it will request the Group to settle all amount due in arrears immediately and follow the original monthly repayment schedule. The amount due in arrears amounted to RM783,180 (equivalent to $1,723,074). According to the original repayment schedules, the Group is required to repay to Bank Rakyat, including interest payable, RM8,354,450 (equivalent to $18,907,791), RM9,261,444 (equivalent to $20,960,891) and RM65,190,088 (equivalent to $147,540,960) in 2010, 2011 and between 2012 and 2019 respectively.

The directors are confident that with the available banking facilities, funds raised through the equity transactions as discussed in (ii) below and the expected source of income generated from operation commencing in or about April 2010, the Group is able to meet the above financial obligations as and when they fall due.

(ii) *Raising of funds through equity transactions*

On 10 February 2010, the Group completed the exercise of the placing of existing shares, subscription of new shares and the placing of new shares. The Group raised gross proceeds and net proceeds (after deducting the placing commission and relevant expenses) amounting to $129.6 million and $126 million respectively. The net proceeds will be used for the general working capital of the Group.

(iii) *Commencement of operation of Perak Magnesium Smelter*

The directors have taken a thorough review of the status of the construction of Perak Magnesium Smelter. Up to date, the construction of Perak Magnesium Smelter is still in progress and all of the principal factory buildings have now been erected and all of the major machinery components are on site and are being assembled, installed and tested. Hot Test on reduction furnaces are progressing well although minor adjustment and modification is required to be carried out. In the absence of any unforeseeable circumstances, the directors are confident that the operation of Perak Magnesium Smelter will be commenced in or about April 2010 and the Group will then generate positive cash inflows from operation thereafter.

After taking into account of the above factors, the directors are satisfied that the Group will be able to have sufficient funding to enable the Group to operate as a going concern and to meet its financial obligations as and when they fall due. Accordingly, the financial statements have been prepared on a going concern basis.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the group financial statements:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, *Consolidated and separate financial statements — cost of an investment in a subsidiary, jointly controlled entity or associate*
- HKAS 23 (revised 2007), *Borrowing costs*

The amendments to HKAS 23 has had no material impact on the Group's financial statements as it was consistent with the policy already adopted by the Group. The impact of the remainder of these developments is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about opening matters. Apart from additional disclosure of information about the geographical location of the Group's specified non-current assets, the adoption of HKFRS 8 does not result in additional disclosure of segment information as the presentation of segment information in the financial statements is consistent with internal reporting provided to the Group's most senior executive management in the current and the prior years.

- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expenses are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- The "Improvements to HKFRSs (2008)" comprise of a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments.

- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivables in the current or future periods and previous periods have not been restated.

3 TURNOVER

The principal activities of the Group are the mining of dolomite and manufacture of magnesium ingots. The Group has yet to earn any revenue during the year ended 31 December 2009 as the construction of the Perak Magnesium Smelter is still in progress and operation is expected to commence in or about April 2010.

4 OTHER REVENUE

	2009	2008
Government grants	$2,017,873	$ —
Interest income	145,316	25,132
	$2,163,189	$25,132

Government grant represents grant in respect of training expenses incurred by the Group for workers who are Malaysian citizens. The grant was approved by Malaysian Industrial Development Authority, an agency under the Ministry of International Trade and Industry of Malaysia. There are no unfulfilled conditions and other contingencies attached to the receipt of this grant.

5 OTHER NET INCOME/(LOSS)

	2009	2008
Net foreign exchange gain/(loss)	$3,930,839	$(404,353)

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2009	2008
(a) Finance costs:		
Interest on bank loans:		
- wholly repayable within five years	$ 13,298,022	$ 7,330,102
- wholly repayable after five years	3,355,250	$ 1,589,651
	$ 16,653,272	$ 8,919,753
Amortisation of loan transaction costs	4,149,972	4,515,150
Other borrowing costs	3,085,779	1,696,338
Finance charges on obligations under finance leases	28,949	35,352
	$ 23,917,972	$ 15,166,593
Less: Finance costs capitalised into construction in progress *	(23,839,336)	(14,198,790)
	$ 78,636	$ 967,803

* Interest on bank loans have been capitalised at a rate of 7.6% - 9.3% (2008: 6.5% - 8.6%) per annum for the year ended 31 December 2009.

	2009	2008
(b) Staff costs:		
Salaries, wages, bonuses and other benefits	**$4,804,713**	$3,910,973
Contributions to defined contribution retirement plan	**369,366**	218,711
	$5,174,079	$4,129,684

Pursuant to the relevant labour laws and regulations in Malaysia, CVMSB participates in a defined contribution retirement benefit scheme ("the Scheme") organised by the Malaysian government whereby CVMSB is required to make contributions to the Scheme at a rate of 12% of the eligible employees' salaries. Contributions to the Scheme vest immediately.

The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

	2009	2008
(c) Other items:		
Auditors' Remuneration	**$898,005**	$793,474
Depreciation	**122,949**	114,144
Amortisation of interests in leasehold land held for own use under operating leases	**127,720**	138,423
Operating lease charges:		
- office premises	**358,969**	192,296
- office equipment	**39,570**	40,731
- equipment and machinery	**161,475**	—

7 INCOME TAX

(a) Pursuant to the income tax rules and regulations of Malaysia, CVMSB is liable to Malaysian Income Tax at a rate of 25% (2008: 26%) for the year ended 31 December 2009.

Income tax for the year ended 31 December 2009 represents provision for Malaysian Income Tax. No provision for Malaysian Income Tax was made for the year ended 31 December 2008 as the Group did not earn any income which is subject to Malaysian Income Tax during that year.

No provision for Hong Kong Profits Tax has been made as the Group did not earn any income which is subject to Hong Kong Profits Tax during the years ended 31 December 2009 and 2008.

(b) Reconciliation between tax expense and accounting loss at applicable tax rates

	2009	2008
Loss before taxation	**$(14,103,991)**	$(10,498,254)
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**$(2,852,510)**	$(2,409,505)
Effect of non-taxable income	**(1,505,925)**	(4,147)
Effect of non-deductible expenses	**4,369,160**	2,413,652
Actual tax expense	**$ 10,725**	$ —

8 LOSS PER SHARE

On 16 October 2009, the Company effected a share subdivision. Accordingly, loss per share for all periods presented have been retrospectively adjusted to give the effect of the share subdivision.

The calculation of loss per share is based on the loss attributable to equity shareholders of the Company of $14,103,991 (2008: $10,498,254) and the weighted average of 1,804,000,000 (2008: 1,365,356,160) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2009	2008
Issued ordinary shares / number of shares deemed to be outstanding at 1 January	**$ 451,000,000**	$ 338,249,999
Effect of issue of new shares pursuant to the share placing and public offer	**—**	3,089,041
Effect of share subdivision	**1,353,000,000**	1,024,017,120
	$1,804,000,000	$1,365,356,160

Diluted loss per share is the same as the basic loss per share as there were no dilutive shares outstanding during the years ended 31 December 2009 and 2008.

9 SEGMENT REPORTING

The Group has one reportable segment, which is the mining of dolomite and manufacture of magnesium ingots. The segment information reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment is the same as those reported in the consolidated financial statements. The Group did not earn any revenue during the years ended 31 December 2009 and 2008 as the construction of Perak Magnesium Smelter is still in progress. Its operation is expected to commence in or about April 2010.

The following table sets out information about geographical location of the Group's fixed assets, exploration and evaluation assets and mining deposits ("specified non-current assets"). The geographical location of the specific non-current asset is based on the physical location of the asset.

	Hong Kong		Malaysia		Total	
	2009	2008	**2009**	2008	**2009**	2008
Specified non-current assets	**$178,125**	$—	**$477,973,660**	$237,137,413	**$478,151,785**	$237,137,413

10 ADDITIONS TO FIXED ASSETS

During the year ended 31 December 2009, the Group acquired fixed assets with an aggregate cost of $231,693,358 (2008: $112,999,467).

11 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2009	2008
Other receivables	**$3,976,110**	$15,852,212
Government grant receivable	**2,075,748**	—
Deposits and prepayments	**620,367**	493,652
	$6,672,225	$16,345,864

Apart from the Group's deposits of $396,366 (2008: $77,891), all of the Group's prepayments, deposits and other receivables are expected to be recovered within one year.

12 OTHER PAYABLES AND ACCRUED EXPENSES

	2009	2008
Payables for construction in progress	**$ —**	$59,776,324
Other payables and accrued expenses	**4,717,040**	1,284,410
	$4,717,040	$61,060,734

All of the other payables and accrued expenses are expected to be settled within one year.

13 BANK LOANS - SECURED

The Group

	2009		
	Nominal value	**Less: unamortised transaction costs**	**Total**
Within one year	**$361,057,661**	**$(3,299,741)**	**$357,757,920**

	2008		
	Nominal value	Less: unamortised transaction costs	Total
Within one year	$29,725,199	$(4,235,632)	$25,489,567
After 1 year but within 2 years	5,542,311	(477,267)	5,065,044
After 2 years but within 5 years	19,743,303	(1,186,974)	18,556,329
After 5 years	43,639,432	(910,951)	42,728,481
Total	$98,650,245	$(6,810,824)	$91,839,421

The secured bank loans as at 31 December 2009 included interest accruals of $6,197,742 (2008: $1,520,276) and other borrowing costs of $3,946,832 (2008: $813,417). Those interest accruals and other borrowing costs are interest bearing at the same interest rates as the related bank loans.

In accordance with the bank loan agreements, the Group is required to repay instalments in a total of RM1,383,180 (equivalent to $3,043,134) to Bank Rakyat during the year ended 31 December 2009. However, the Group only repaid instalments in a total of RM600,000 (equivalent to $1,320,060) to Bank Rakyat during the year ended 31 December 2009 based on the Group's proposal on re-scheduling of repayment of instalments submitted to Bank Rakyat on 12 January 2010.

Given the repayment of instalments of bank loans made by the Group during the year ended 31 December 2009 was not in accordance with the terms of the bank loan agreements, it is considered as an event of default under the bank loan agreements. In the event of default, all the outstanding bank loans would become due for repayment immediately. As a result, bank loans amounted to RM54,077,598 (equivalent to $122,390,704) was reclassified from non-current liabilities to current liabilities as at 31 December 2009.

On 19 February 2010, Bank Rakyat has confirmed that it has no objection to consider the proposal on re-scheduling of repayment of instalments submitted by the Group. In addition, Bank Rakyat also confirmed that it has no intention of declaring an event of default and recall the bank loan facilities provided to the Group. In the event if Bank Rakyat is not agreeable to the above proposal submitted by the Group, it will request the Group to settle all amount due in arrears immediately and follow the original monthly repayment schedule. The amount due in arrears amounted to RM783,180 (equivalent to $1,723,074). According to the original repayment schedules, the Group is required to repay to Bank Rakyat, including interest payable, RM8,354,450 (equivalent to $18,907,791), RM9,261,444 (equivalent to $20,960,891) and RM65,190,088 (equivalent to $147,540,960) in 2010, 2011 and between 2012 and 2019 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company, via its wholly owned subsidiary, CVMSB, operates in the state of Perak in Malaysia and aims to become the first primary magnesium producer in South East Asia. CVMSB has been conducting dolomite quarrying for stock piling since June 2009.

CVMSB has mining rights of 20 years for extracting dolomite limestone from two dolomite hills in Malaysia, with the option to renew for a further period of 10 years. Total dolomite reserve is estimated at approximately 20,005,480 tonnes, sufficient for supporting the manufacturing of magnesium ingots at an annual production capacity of 15,000 tonnes for approximately 116 years.

BUSINESS REVIEW AND OUTLOOK

Updates on the progress of the magnesium smelting plant

The Group is currently constructing the Perak Magnesium Smelter Plant (the "Smelter"), which will be able to smelt and process dolomite limestone into magnesium metal. The plan is to build two smelting production lines, while approximately $474.3 million has been spent in the construction of the first production line (the "Project") as at 31 December 2009. This included infrastructural work and fitting out of the smelter buildings, as well as installation of fixtures and machinery.

Each of the first and second production lines of the Smelter has an estimated annual production capacity of 15,000 tonnes of magnesium metal. When both are in operation, the Group will be able to boost its production capacity of up to 30,000 tonnes of magnesium metal per year.

The construction of the Smelter is still in progress and all of the principal factory buildings have now been erected and all of the major machinery components are on site and are being assembled, installed and tested. At the same time, Hot-Test has been commenced on 22 December 2009. It is progressing in stages so as not to compromise any system safety and to ensure smooth operation at the time of full commercial production. Hot-Test on reduction furnaces are progressing well although minor adjustment and modification need to be carried out. For the above reasons, the

Company currently estimates that the Hot-Test to be completed in or about March 2010 and commercial production of the Smelter will commence in or about April 2010. Details of the updates on the progress of the construction of the Smelter are set out in the announcement dated 22 December 2009 of the Company.

In addition, on 18 May 2009, CVMSB and Tieforce Engineering (Malaysia) Sdn Bhd entered into a supply contract in relation to the purchase of 1,050 pieces of retorts from Tieforce Engineering (Malaysia) Sdn Bhd for a consideration of RM29,767,500 (equivalent to $67,371,063). Please refer to the Company's announcement dated 18 May 2009 for further details.

Business outlook

According to Asian Metal, the magnesium price has been increasing prompted by the recovering of global economy, especially in China which has achieved a robust growth in the fourth quarter of 2009.

The demand for magnesium products from overseas market has been recovering and it is expected that the export market will turn better next year.

Magnesium has a bright prospect where magnesium are increasing being specified for automotive, transportation, electronics, aerospace, and general engineering applications. Magnesium has the ability to combine high strength and lighter weight with the design versatility of the extrusion process, providing a platform that will shape and drive groundbreaking product designs and manufacturing innovations.

Financing of the Project

As at 31 December 2009, the Company had drawn down approximately RM99.6 million (equivalent to approximately $225.4 million) under the secondary finance of KFHMB. CVMSB will continue to draw down monies under the secondary financing of KFHMB until completion of the Smelter in or about March 2010 when the bank guarantee from Bank Rakyat is converted to a term loan facility.

On 4 May 2009, CVMSB obtained an additional term financing facility of RM25 million (equivalent to approximately $56.6 million) from Bank Rakyat for the purchase of retorts, details of which are disclosed in the announcement dated 18 May 2009 of the Company. Total facilities drawn down from KFHMB and Bank Rakyat as at 31 December 2009 amounted to approximately RM99.6 million (equivalent to approximately $225.4 million) and RM55.5 million (equivalent to approximately $125.6 million) respectively.

Outstanding licenses, approvals and permits

The Company wishes to update that there are no changes to any conditions of subsisting licenses, permits and approvals.

Manganese ores

The Company plans to diversify its interest in other minerals for long-term growth. As a result, on 29 June 2009, the Company has signed a memorandum of understanding (the "MOU") with PT Finico Putra Anugerah, a company established under the laws of the Republic of Indonesia, which is engaged in exploration activities, in relation to a possible joint venture to participate in a project to explore and mine manganese ores and other activities related thereto in Indonesia. As at 22 February 2010, there is no material development on the MOU since the last announcement. Please refer to the Company's announcement dated 1 July 2009 for further details.

FINANCIAL REVIEW

Turnover and other revenue

The Group did not earn any revenue during the year ended 31 December 2009 as the construction of the Smelter is still in development stage. The Group however received interest income of $145,316 from money deposited with approved financial institutions in Malaysia during the year ended 31 December 2009.

In addition, the Group is also entitled to receive $2 million of government grants from the Malaysian Industrial Development Authority for training of its Malaysian workers in 2009.

Administrative expenses

The administrative expenses increased by 118% to approximately $20.1 million in 2009 from $9.2 million in 2008. This was mainly due to the increase in staff costs, professional fees and plant expenses incurred by the Group in conjunction with the development of the Project.

Staff costs increased to approximately $5.2 million for the year ended 31 December 2009 from $4.1 million in 2008, mainly due to increased headcount in CVMSB. Due to the downturn of the global economy and in view of the fact that the plant had not yet been operational nor had it generated any income, the directors and senior management have voluntarily reduced their remuneration package. The directors' remuneration has been reduced by approximately 34% in 2009 as compared to 2008.

The Group appointed professional parties for the purposes of, amongst other things, providing compliance advisory, investor relations consultancy, legal advisory and secretarial services to the Company after the listing of the Company in Hong Kong. Accordingly, professional fees increased by 211% to approximately $5.6million in 2009 from $1.8 million in 2008.

The Group incurred additional $4.0 million training cost in year 2009 for sending staff to the PRC on technical training. Other than the above, there are no significant changes in other administrative expenses for the year ended 31 December 2009 as compared to year 2008.

Net foreign exchange gain

The net gain of $3.9 million (2008: net loss of $0.4 million) on foreign exchange arose from settlement of the construction payables denominated in United States Dollars ("USD")

Going forward, the Group will be exposed to foreign currency risk primarily through exposures in sales and purchases that are denominated in USD and Renminbi, respectively, which fluctuate against Ringgit Malaysia, CVMSB's functional currency. During the year of 2009, the Group did not use any financial instruments for any hedging purposes.

Finance costs

Finance costs charged to the consolidated income statement reduced to approximately $79,000 in 2009 (2008: approximately $968,000) mainly as a result of interest and facilities fees in respect of the DBS Bank Ltd's short term loan granted to the Company which was incurred and settled in 2008. Interest expenses and other borrowing costs of approximately $23.8 million (2008: approximately $14.2 million) which had been capitalized into construction in progress.

Loss before taxation

As CVMSB is yet to commence revenue earning operations and had only incurred expenses during the year under review, the Group incurred a consolidated loss before taxation of approximately $14.1 million for the year ended 31 December 2009 (2008: $10.5 million).

Loss per share

The loss per share was increased to approximately HK0.78 cents in the year of 2009 from HK0.77 cents in the year of 2008 as the loss before taxation increased by $3.6

million. A subdivision of share took place on 19 October 2009 where the ordinary shares of the Company increased to 1,804,000,000 from 451,000,000 as at the end of year 2008. Accordingly, the loss per share in 2008 has also been retrospectively adjusted to give the effect of the share subdivision.

Liquidity and financial resources

The Group had net current liabilities of approximately $358.2 million as at 31 December 2009, which mainly comprises:

(i) bank loans of approximately $225.4 million from KFHMB. The amount due to KFHMB will be fully settled upon completion of the Smelter when the bank guarantee issued by Bank Rakyat to KFHMB is converted into term loan. The borrowings from KFHMB bear an interest rate of 7.6% per annum as at 31 December 2009 base on floating rate of base financing rate plus 2%; and

(ii) in accordance with the bank loan agreements, the Group is required to repay instalments in a total of RM1,383,180 (equivalent to $3,043,134) to Bank Rakyat during the year ended 31 December 2009. However, the Group only repaid instalments in a total of RM600,000 (equivalent to $1,320,060) to Bank Rakyat during the year ended 31 December 2009 based on the Group's proposal on re-scheduling of repayment of instalments submitted to Bank Rakyat on 12 January 2010.

Given the repayment of instalments of bank loans made by the Group during the year ended 31 December 2009 was not in accordance with the terms of the bank loan agreements, it is considered as an event of default under the bank loan agreements. In the event of default, all the outstanding bank loans would become due for repayment immediately. As a result, bank loans amounted to RM54,077,598 (equivalent to $122,390,704) was reclassified from non-current liabilities to current liabilities as at 31 December 2009.

On 19 February 2010, Bank Rakyat has confirmed that it has no objection to consider the proposal on re-scheduling of repayment of instalments submitted by the Group. In addition, Bank Rakyat also confirmed that it has no intention of declaring an event of default and recall the bank loan facilities provided to the Group. In the event if Bank Rakyat is not agreeable to the above proposal submitted by the Group, it will request the Group to settle all amount due in arrears immediately and follow the original monthly repayment schedule. The amount due in arrears amounted to RM783,180 (equivalent to $1,723,074). According to the original repayment schedules the Group is required to repay to

Bank Rakyat, including interest payable, RM8,354,450 (equivalent to $18,907,791), RM9,261,444 (equivalent to $20,960,891) and RM65,190,088 (equivalent to $147,540,960) in 2010, 2011 and between 2012 and 2019 respectively.

The Group had a gearing ratio of 3.00 (which is calculated on the basis of total bank borrowings over shareholders' funds of the Group) as at 31 December 2009 (2008: 0.69).

The Group's bank and cash balances as at 31 December 2009 were approximately $7.5 million (2008: $32.2 million). The Group's prepayments, deposits and other receivables of approximately $6.3 million (2008: $16.3 million) are expected to be recovered within one year.

Capital expenditure

The carrying value of fixed assets of the Group for the purpose of the Project as at 31 December 2009 had increased by 103% to approximately $474.3 million from approximately $233.3 million as at 31 December 2008. Construction in progress represents approximately 97% of the carrying value of fixed assets as at 31 December 2009.

Charge on assets

The bank loans were granted to CVMSB and secured by way of:

(i) assignment of CVMSB's construction in progress and interests in leasehold land held for own use under operating leases with aggregate net book value of $473,186,119 (31 December 2008: $232,378,178);

(ii) first fixed and floating charge on present and future assets of CVMSB by way of debenture;

(iii) assignment of CVMSB's right, entitlement and interest in and to all building contracts, design drawings and other contracts pertaining to the Project;

(iv) assignment of all rights, interest and benefits under insurances undertaken by CVMSB as part of its operations for the Project;

(v) assignment of all performance bonds or completion guarantee in relation to the Project;

(vi) assignment of all revenue receipts of CVMSB; and

(vii) corporate guarantee by the Company amounting to RM172,600,000 (equivalent to $390,628,320 at 31 December 2009).

Human resources

As at 31 December 2009, the Group had a total of 98 employees (as at 31 December 2008: 18 employees). Total staff costs (including Directors' emoluments) for the year ended 31 December 2009 was approximately $5.2 million (2008: $4.1 million), representing 29% of the Group's total administrative expenses. Employees were remunerated based on their performance, experience and industry practice. The Group's management reviewed the remuneration policies and packages on a regular basis.

Capital commitment and contingent liabilities

In relation to the Project, as at 31 December 2009, the Group had a total capital commitment of approximately $31.8 million (2008: $187.8 million).

As at 31 December 2009, the Company has issued a corporate guarantee totalling RM172.6 million (equivalent to approximately $390.6 million) to Bank Rakyat in respect of banking facilities granted to its subsidiary.

The Directors do not consider it probable that a claim will be made against the Company under the corporate guarantee. The maximum liability of the Company as at 31 December 2009 under the corporate guarantee issued is RM155,051,735 (equivalent to $350,913,087 (2008: RM43,094,654 (equivalent to $96,316,552)) being the outstanding bank loans of its subsidiary.

In addition, as at 31 December 2009, the Company has issued a corporate guarantee totalling RM850,000 (equivalent to $1,923,720) to a supplier in respect of the purchase of liquefied petroleum gas made by its subsidiary.

The Company has not recognised any deferred income in respect of the corporate guarantee as its fair value cannot be reliably measured and its transaction price was $Nil.

SUBSEQUENT EVENT

Placing and subscription exercise

On 1 February 2010, the Company entered into the Placing and Subscription Agreement on a best effort basis to procure Placees to purchase the Top-Up Placing Shares comprising up to 280,000,000 existing shares at the price of $0.36 per Top-Up Placing Shares. The Company also entered into the Placing Agreement on a best effort basis to procure Placees to subscribe for the New Placing Shares comprising up to 80,000,000 new shares at the price of $0.36 per New Placing Share. The maximum gross proceeds from the Placing and the Subscription will be $129.6 million. The maximum net proceeds from the Placing and the Subscription (after deducting the placing commission and relevant expenses) will be approximately $126 million which is intended to be used for general working capital purposes of the Group.

The Company announced that all the conditions set out in the abovementioned agreements have been fulfilled and the Placing was completed on 10 February 2010.

Please refer to the Company's announcements dated 1 and 10 February 2010 for further details. Capitalised expression in regard to this Placing and Subscription Exercise shall have the same meanings as attributed to them in these relevant announcements.

DIVIDENDS

The Board did not recommend any dividend in respect of the year ended 31 December 2009.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2009, the Board is of the view that the Company has complied with all the code provisions stipulated in the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). No Director is aware of any information that reasonably reveals that there is any non-compliance with the code provisions on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules by the Company during any time of the year under review.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of practice for carrying out securities transactions by the Directors. After specific enquiry with all members of the Board of the Company, the Company confirmed that all Directors have fully complied with the relevant standards stipulated in the Model Code during the year ended 31 December 2009.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2009, neither the Company nor its subsidiary has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE REVIEW

The Audit Committee, which comprises three members namely, Ms. Wong Choi Kay (Chairperson and Independent Non-executive Director), Mr. Tony Tan (Independent Non-executive Director) and Mr. Chong Lee Chang (Independent Non-executive Director), has reviewed the accounting principles and policies adopted by the Group and the Committee Members have discussed and reviewed the internal controls and financial reporting matters, including the review of the annual results of the Group for the year ended 31 December 2009, with the management of the Company.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT

This final results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the Company website at www.cvmminerals.com. The annual report of the Company for the year ended 31 December 2009 will be dispatched to the shareholders and published on the aforesaid websites in due course.

By order of the Board
CVM Minerals Limited
Tony Tan
Chairman

Hong Kong, 22 February 2010

As at the date of this announcement, the Executive Directors of the Company are Mr. Chong Wee Chong, Mr. Gao Qi Fu and Mr. Lim Ooi Hong, and the Independent Non-executive Directors of the Company are Mr. Tony Tan, Ms. Wong Choi Kay, Mr. Chong Lee Chang and Mr. Lam Cheung Shu.