

CD INTERNATIONAL ENTERPRISES, INC.
Form 10-Q
August 06, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2014

or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-33694

CD INTERNATIONAL ENTERPRISES, INC.
(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction of incorporation or organization)

13-3876100
(I.R.S. Employer Identification No.)

431 Fairway Drive, Suite 200, Deerfield Beach, Florida
(Address of principal executive offices)

33441
(Zip Code)

Registrant's telephone number, including area code: (954) 363-7333

Securities registered under Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Securities registered under Section 12(g) of the Act:

Common stock, par value \$0.0001 per share
(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the

Edgar Filing: CD INTERNATIONAL ENTERPRISES, INC. - Form 10-Q

Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company:

| | | | |
|-------------------------|-----------------------|---------------------------|----------------------------------|
| Large accelerated filer | <input type="radio"/> | Accelerated filer | <input type="radio"/> |
| Non-accelerated filer | <input type="radio"/> | Smaller reporting company | <input checked="" type="radio"/> |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date, there are 65,613,074 shares of common stock are issued and outstanding as of August 4, 2015.

TABLE OF CONTENTS

| | | Page No. |
|----------|--|----------|
| | PART I. - FINANCIAL INFORMATION | |
| Item 1. | Financial Statements. | 1 |
| | Consolidated Balance Sheets | 1 |
| | As of June 30, 2014 (Unaudited) and September 30, 2013 | |
| | Consolidated Statements of Operations and Comprehensive | 2 |
| | Income (Loss) | |
| | For the Three and Nine Months Ended June 30, 2014 and | |
| | 2013 (Unaudited) | |
| | Consolidated Statements of Cash Flows | 3 |
| | For the Nine Months Ended June 30, 2014 and 2013 | |
| | (Unaudited) | |
| | Notes to Unaudited Consolidated Financial Statements. | 4 |
| Item 2. | Management's Discussion and Analysis of Financial | 24 |
| | Condition and Results of Operations. | |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk. | 33 |
| Item 4. | Controls and Procedures. | 33 |
| | PART II - OTHER INFORMATION | |
| Item 1. | Legal Proceedings. | 34 |
| Item 1A. | Risk Factors. | 35 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds. | 35 |
| Item 3. | Defaults Upon Senior Securities. | 35 |
| Item 4. | Mine Safety Disclosures. | 35 |
| Item 5. | Other Information. | 35 |
| Item 6. | Exhibits. | 35 |

We used in this report "CD International", "we", "us" or "our" refers to CD International Enterprises, Inc., a Florida corporation, and our subsidiaries, "fiscal year 2013" refers to the year ended September 30, 2013, "fiscal year 2012" refers to the year ended September 30, 2012 and "fiscal year 2014" refers to the year ended September 30, 2014. The information which appears on our web site at www.cdii.net is not part of this report.

Cautionary Note Regarding Forward-Looking Information and Factors That May Affect Future Results

This report contains forward-looking statements. The Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This report and other written and oral statements that we make from time to time contain such forward-looking statements that set out anticipated results based on management's plans and assumptions regarding future events or performance. We have tried, wherever possible, to identify such statements by using words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "will" and similar expressions in connection with our discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance or results of current and anticipated sales efforts, expenses, the outcome of contingencies, such as legal proceedings, and financial results. A list of factors that could cause our actual results of operations and financial condition to differ materially is set forth below, and these factors are discussed in greater detail under Item 1A – "Risk Factors" and our subsequent filings with the Securities and Exchange Commission:

- Our ability to continue as a going concern.
- Continued global economic weakness is expected to reduce demand for our products in each of our segments.
- Our ability to implement our expansion plans for growing our business through acquisitions and development of our commodity trading business.
- Loss of orders from any of our major customers.
- The value of the equity securities we accept as compensation is subject to adjustment which could result in losses to us in future periods.
- Our need for additional financing which we may not be able to obtain on acceptable terms, the dilutive effect additional capital raising efforts in future periods may have on our current shareholders and the increased interest expense in future periods related to additional debt financing.
- Adverse outcome of the bankruptcy of our subsidiary CDII Trading, Inc. ("CDII Trading").
- Our dependence on certain key personnel.
- Difficulties we have in establishing adequate management, cash, legal and financial controls in the PRC.
- Our ability to maintain an effective system of internal control over financial reporting.
- The lack various legal protections in certain agreements to which we are a party and which are material to our operations which are customarily contained in similar contracts prepared in the United States.
- Potential impact of PRC regulations on our intercompany loans.
- Our ability to assure that related party transactions are fair to our company and possible violations of the Sarbanes-Oxley Act of 2002.
- The scope of our related party transactions and potential conflicts of interest arising from these transactions.
- The impact of a loss of our land use rights.
- Our ability to comply with the United States Foreign Corrupt Practices Act which could subject us to penalties and other adverse consequences.
- Limits under the Investment Company Act of 1940 on the value of securities we can accept as payment for our business consulting services.
- Our acquisition efforts in future periods may be dilutive to our then current shareholders.
- Our inability to enforce our rights due to policies regarding the regulation of foreign investments in the PRC.
-

The impact of environmental and safety regulations, which may increase our compliance costs and reduce our overall profitability.

- The effect of changes resulting from the political and economic policies of the Chinese government on our assets and operations located in the PRC.
- The impact of Chinese economic reform policies.
- The influence of the Chinese government over the manner in which our Chinese subsidiaries must conduct our business activities.
- The impact on future inflation in the PRC on economic activity in the PRC.
- The impact of any natural disasters and health epidemics in China.
- The impact of labor laws in the PRC may adversely affect our results of operations.
- The limitation on our ability to receive and use our revenues effectively as a result of restrictions on currency exchange in the PRC.
- Fluctuations in the value of the RMB may have a material adverse effect on your investment.
- The market price for shares of our common stock has been and may continue to be highly volatile and subject to wide fluctuations and the impact of penny stock rules on the liquidity of our common stock.

We caution that the factors described herein and other factors could cause our actual results of operations and financial condition to differ materially from those expressed in any forward-looking statements we make and that investors should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of anticipated or unanticipated events or circumstances. New factors emerge from time to time, and it is not possible for us to predict all of such factors. Further, we cannot assess the impact of each such factor on our results of operations or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Index of Certain Defined Terms Used in this Report

We used in this report the terms:

- "CD International", "we", "us" or "our" refers to CD International Enterprises, Inc., a Florida corporation formerly known as China Direct Industries, Inc., and our subsidiaries;
- "CDI China", refers to CDI China, Inc., a Florida corporation, and a wholly owned subsidiary of CD International; and
- "PRC" refers to the People's Republic of China.

Magnesium Segment

- "Chang Magnesium", refers to Taiyuan Changxin Magnesium Co., Ltd., a company organized under the laws of the PRC and a 51% owned subsidiary of CDI China, which was to be disposed of in the fourth quarter of fiscal year 2014;
- "Chang Trading", refers to Taiyuan Changxin YiWei Trading Co., Ltd., a company organized under the laws of the PRC and a wholly owned subsidiary of Chang Magnesium, which was to be disposed of in the fourth quarter of fiscal year 2014;
- "Asia Magnesium", refers to Asia Magnesium Corporation Limited, a company organized under the laws of Hong Kong and a wholly owned subsidiary of Capital Resource Management, which was to be disposed of in the fourth quarter of fiscal year 2014;
- "Golden Magnesium" refers to Shanxi Gu County Golden Magnesium Co., Ltd., a company organized under the laws of the PRC and a 100% owned subsidiary of CDI China, which was disposed of in the fourth quarter of fiscal year 2013;
- "Baotou Changxin Magnesium", refers to Baotou Changxin Magnesium Co., Ltd., a company organized under the laws of the PRC, a 51% owned subsidiary of CDI China, which was to be disposed of in the fourth quarter of fiscal year 2014;
- "IMTC" or "International Magnesium Trading", refers to International Magnesium Trading Corp., a company organized under the laws of Brunei and a 100% owned subsidiary of IMG, which was to be disposed of in the fourth quarter of fiscal year 2014;
- "Ruiming Magnesium", refers to Taiyuan Ruiming Yiwei Magnesium Co., Ltd., a company organized under the laws of the PRC and an 80% majority owned subsidiary of CDI China, which was to be disposed of in the fourth quarter of fiscal year 2014;
- "Beauty East", refers to Beauty East International, Ltd., a Hong Kong company and a wholly owned subsidiary of CDI China, which was to be disposed of in the fourth quarter of fiscal year 2014;
- "Marvelous Honor" refers to Marvelous Honor Holdings Inc., a Brunei company and a wholly owned subsidiary of CDI China, which was to be disposed of in the fourth quarter of fiscal

year 2014;

- “Lingshi Magnesium”, refers to Lingshi Xinghai Magnesium Industry Co., Ltd. a company organized under the laws of the PRC and a wholly owned subsidiary of Ruiming Magnesium, which was to be disposed of in the fourth quarter of fiscal year 2014; and
- “Golden Trust Magnesium”, refers to Golden Trust Magnesium Industry Co., Ltd., a company organized under the laws of the PRC and a wholly owned subsidiary of CDI China, which we disposed of in the fourth quarter of fiscal year 2014.

Basic Materials/ Mineral Trading Segment

- “Lang Chemical”, refers to Shanghai Lang Chemical Co., Ltd. a company organized under the laws of the PRC and a 51% owned subsidiary of CDI China which we disposed of in the fourth quarter of fiscal 2012;
- “CDI Jingkun Zinc”, refers to CDI Jingkun Zinc Industry Co., Ltd., a company organized under the laws of the PRC and a 95% owned subsidiary of CDI Shanghai Management;
- “CDI Jixiang Metal”, refers to CDI Jixiang Metal Co., Ltd., a company organized under the laws of the PRC and a wholly owned subsidiary of CDI China;
- “CDI Metal”, refers to Shanghai CDI Metal Material Co., Ltd. (a/k/a Shanghai CDI Metal Recycling Co., Ltd.), a company organized under the laws of the PRC and a wholly owned subsidiary of CDI Shanghai Management;
- “CDI Beijing” refers to CDI (Beijing) International Trading Co., Ltd., a company organized under the laws of the PRC and a 51% owned subsidiary of CDI Shanghai Management, which we disposed of in the fourth quarter of fiscal 2012;
- “CDII Trading” refers to CDII Trading, Inc., a Florida corporation and a 100% owned subsidiary of CD International Industries;
- "CDII Minerals" refers to CDII Minerals, Inc., a Florida corporation and a wholly owned subsidiary of CD International;
- "CDII Chile" refers to Inversiones CDII Chile, Ltda., a Chilean company and a wholly owned subsidiary of CDII Minerals;
- "CDII Peru" refers to CDII Minerals de Peru SAC, a Peruvian company and a 50% owned subsidiary of CDII Minerals;
- "CDII Bolivia" refers to Empresa Minera CDII de Bolivia S.A., a Bolivian company and a wholly owned subsidiary of CDII Minerals; and
- “IMG” or “International Magnesium Group”, refers to International Magnesium Group, Inc., a Florida corporation and a 100% owned subsidiary of CD International Industries;

Consulting Segment

- “China Direct Investments”, refers to China Direct Investments, Inc., a Florida corporation, and a wholly owned subsidiary of CD International;
- “CDI Shanghai Management”, refers to CDI Shanghai Management Co., Ltd., a company organized under the laws of the PRC and a wholly owned subsidiary of CDI China; and
- “Capital Resource Management”, refers to Capital Resource Management Co., Ltd., a Brunei company, and a wholly owned subsidiary of CDI Shanghai Management, formerly known as Capital One Resource Co., Ltd.

PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements.

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of June 30, 2014 and September 30, 2013

| | June 30, 2014 (Unaudited) | September 30, 2013 |
|---|---------------------------------|-----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 27,413 | \$ 186,162 |
| Marketable securities available-for-sale (including \$60,000 from related parties) | 70,852 | 107,539 |
| Accounts receivable (including \$30,000 from related parties) | 69,493 | 165,300 |
| Loans, other receivables and prepaid expenses - related parties | 186,870 | 586,071 |
| Prepaid expenses and other current assets, net | 1,588,121 | 2,619,248 |
| Assets of discontinued operations | 6,934,522 | 8,699,473 |
| Inventories | 17,066 | - |
| Total current assets | 8,894,337 | 12,363,793 |
| Property, plant and equipment, net | 100,575 | 137,353 |
| Other long-term assets | 671,678 | - |
| Total assets | \$ 9,666,590 | \$ 12,501,146 |
| LIABILITIES AND EQUITY (DEFICIT) | | |
| Current liabilities: | | |
| Loans payable | \$ 1,252,125 | \$ 1,089,975 |
| Accounts payable and accrued expenses | 634,554 | 1,151,905 |
| Accounts, loans and other payables - related parties | 1,075,864 | 320,939 |
| Advances from customers | 524,298 | - |
| Derivative liabilities | 1,823,699 | 1,398,253 |
| Other liabilities | 864,193 | 511,587 |
| Liabilities of discontinued operations | 48,502,002 | 38,238,416 |
| Total current liabilities | 54,676,735 | 42,711,075 |
| Total liabilities | 54,676,735 | 42,711,075 |
| Equity (deficit): | | |
| Series A convertible preferred stock: \$.0001 par value, stated value \$1,000 per share; 10,000,000 authorized, 1,006 shares outstanding at June 30, 2014 and September 30, 2013, respectively | 1,006,250 | 1,006,250 |
| Common stock: \$.0001 par value; 1,000,000,000 authorized; 63,209,636 and 58,399,636 issued | 6,321 | 5,840 |

and outstanding at June 30, 2014 and September 30, 2013, respectively

| | | |
|--|----------------|----------------|
| Additional paid-in capital | 78,480,341 | 78,004,472 |
| Accumulated other comprehensive income (loss) | 438,766 | (80,000) |
| Accumulated deficit | (115,287,622) | (101,638,114) |
| Total CD International Enterprises, Inc.'s stockholders' deficit | (35,355,944) | (22,701,552) |
| Non-controlling interests | (9,654,201) | (7,508,377) |
| Total deficit | (45,010,145) | (30,209,929) |
| Total liabilities and deficit | \$ 9,666,590 | \$ 12,501,146 |

The accompanying notes are an integral part of these unaudited consolidated financial statements.

CD INTERNATIONAL ENTERPRISES, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
For the Three and Nine Months Ended June 30, 2014 and 2013
(Unaudited)

| | For the Three Months Ended June 30, | | For the Nine Months Ended June 30, | |
|---|--|----------------|---------------------------------------|-----------------|
| | 2014 | 2013 | 2014 | 2013 |
| Revenues | \$213,035 | \$574,927 | \$1,134,922 | \$1,884,890 |
| Cost of revenues | 30,677 | 579,690 | 712,963 | 1,607,309 |
| Gross profit (loss) | 182,358 | (4,763) | 421,959 | 277,581 |
| Operating expenses: | | | | |
| Selling, general, and administrative | 817,029 | 817,493 | 3,073,622 | 2,816,334 |
| Total operating expenses | 817,029 | 817,493 | 3,073,622 | 2,816,334 |
| Operating loss | (634,671) | (822,256) | (2,651,663) | (2,538,753) |
| Other income (expenses): | | | | |
| Other income | 5,533 | 287,482 | 199,675 | 651,299 |
| Interest expenses | (6,942) | (68,746) | (48,009) | (174,041) |
| Interest income (expenses) - related parties | (41,767) | (8,226) | (57,967) | 8,303 |
| Realized gain (loss) on marketable securities available-for-sale | (71,362) | 156,005 | 21,963 | 547,841 |
| Gain (loss) on revaluation for receivable and payable of marketable securities available-for-sale | 44,536 | 26,852 | (36,644) | (7,682,688) |
| Change in fair value of derivative liability | 425,827 | 104,877 | (425,446) | 318,425 |
| Total other income (expenses) | 355,825 | 498,244 | (346,428) | (6,330,861) |
| Loss from continuing operations before income taxes | (278,846) | (324,012) | (2,998,091) | (8,869,614) |
| Income tax expense | - | - | - | - |
| Net loss from continuing operations | (278,846) | (324,012) | (2,998,091) | (8,869,614) |
| Discontinued operations: | | | | |
| Loss from discontinued operations, net of income taxes | (1,790,330) | (1,260,325) | (12,849,756) | (5,464,608) |
| Total loss from discontinued operations, net of income taxes | (1,790,330) | (1,260,325) | (12,849,756) | (5,464,608) |
| Net loss | (2,069,176) | (1,584,337) | (15,847,847) | (14,334,222) |
| Less: net income (loss) attributable to non-controlling interests | (62,420) | 291,669 | (2,258,729) | (884,247) |
| Net loss attributable to CD International Enterprises, Inc. | (2,006,756) | (1,876,006) | (13,589,118) | (13,449,975) |
| Dividends on series A preferred stock | (20,130) | (20,130) | (60,390) | (60,390) |
| Net loss allocable to common stockholders | \$(2,026,886) | \$(1,896,136) | \$(13,649,508) | \$(13,510,365) |
| COMPREHENSIVE INCOME (LOSS): | | | | |
| Net loss | \$(2,069,176) | \$(1,584,337) | \$(15,847,847) | \$(14,334,222) |
| Foreign currency translation adjustments | (46,278) | 209,360 | 607,366 | 135,156 |
| Unrealized gain (loss) on marketable securities available-for-sale | (128,401) | (1,598,151) | (88,600) | 368,334 |
| Comprehensive loss | (2,243,855) | (2,973,128) | (15,329,081) | (13,830,732) |
| Net income (loss) attributable to non-controlling interests | (62,420) | 291,669 | (2,258,729) | (884,247) |
| | (26,560) | 475,412 | 112,905 | 499,999 |

Foreign currency translation adjustments -
non-controlling interests

| | | | | |
|---|----------------|----------------|----------------|----------------|
| Comprehensive loss attributable to CD International Enterprises, Inc. | (2,154,875) | (3,740,209) | (13,183,257) | (13,446,484) |
| Preferred stock dividend | (20,130) | (20,130) | (60,390) | (60,390) |
| Comprehensive loss attributable to common stockholders | \$(2,175,005) | \$(3,760,339) | \$(13,243,647) | \$(13,506,874) |
| Basic and diluted net loss per common share - basic: | | | | |
| Net loss from continuing operations | \$(0.00) | \$(0.01) | \$(0.05) | \$(0.16) |
| Net loss from discontinued operations | (0.03) | (0.03) | (0.17) | (0.08) |
| Net loss per common share | \$(0.03) | \$(0.04) | \$(0.22) | \$(0.24) |
| Basic and diluted net loss per common share - diluted: | | | | |
| Net loss from continuing operations | \$(0.00) | \$(0.01) | \$(0.05) | \$(0.16) |
| Net loss from discontinued operations | (0.03) | (0.03) | (0.17) | (0.08) |
| Net loss per common share | \$(0.03) | \$(0.04) | \$(0.22) | \$(0.24) |
| Basic weighted average common shares outstanding | 63,209,636 | 56,426,333 | 62,492,530 | 54,730,580 |
| Diluted weighted average common shares outstanding | 63,209,636 | 56,426,333 | 62,492,530 | 54,730,580 |

The accompanying notes are an integral part of these unaudited consolidated financial statements.

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended June 30, 2014 and 2013
(Unaudited)

| | For the Nine Months Ended June 30, | |
|---|---------------------------------------|---------------------|
| | 2014 | 2013 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$(15,847,847) | (14,334,222) |
| Loss from discontinued operations | 12,849,756 | 5,464,608 |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Other loss due to revaluation of accounts receivable and accounts payable | 36,644 | 2,479,999 |
| Depreciation | 34,749 | 75,193 |
| Loss on disposal of property and equipment | 1,785 | 10,352 |
| Share issued to third parties for services provided | 161,439 | 259,138 |
| Share based compensation - employees | - | 229,131 |
| Stock option and warrant expenses | 154,911 | - |
| Marketable securities distributed to employees/consultants for compensation | - | 129,480 |
| Change in fair value of derivative liability | 425,446 | (318,425) |
| Realized gain on marketable securities available-for-sale | (21,963) | (547,841) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable (including accounts receivable from related parties) | (61,968) | 5,342,135 |
| Loans, other receivable and prepaid expenses - related parties | 399,210 | 28,850 |
| Prepaid expenses and other current assets, net | 368,906 | 994,166 |
| Inventories | (17,066) | - |
| Accounts payable and accrued expenses | (439,821) | (1,470,065) |
| Advances from customers | 524,298 | - |
| Accounts, loans and other payables - related parties | 59,591 | - |
| Other liabilities | 35,142 | (95,791) |
| Net cash used in operating activities - continuing operations | (1,336,788) | (1,753,292) |
| Net cash used in operating activities - discontinued operations | (12,991,588) | (1,621,714) |
| NET CASH USED IN OPERATING ACTIVITIES | (14,328,376) | (3,375,006) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Change in restricted cash | - | 1,508 |
| Payment for purchase of property and equipment | - | (1,686) |
| Proceeds from repayment of loan receivable | - | 46,026 |
| Proceeds from sales of marketable securities available-for-sale | 391,651 | 1,183,861 |
| Net cash provided by investing activities - continuing operations | 391,651 | 1,229,709 |
| Net cash provided by investing activities - discontinued operations | 3,241,547 | - |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 3,633,198 | 1,229,709 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from loans | 400,000 | 420,000 |
| Borrowings from related parties | 637,495 | - |
| Proceeds from exercise of options | 105,000 | 20,000 |
| Payments on loans payable | (220,000) | (102,000) |
| Payments on loans payable - related parties | - | (30,000) |
| Payments of dividend | (39,390) | (912) |
| Net cash provided by financing activities - continuing operations | 883,105 | 307,088 |
| Net cash provided by (used in) financing activities - discontinued operations | 10,389,337 | (398,491) |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | 11,272,442 | (91,403) |

| | | |
|--|-------------|--------------|
| EFFECT OF EXCHANGE RATE ON CASH | (951,149) | (698,009) |
| NET CHANGE IN CASH | (373,885) | (2,934,709) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 539,176 | 3,248,617 |
| Less: Cash and Cash Equivalents of Discontinued Operations at End of Period | (137,878) | (182,877) |
| CASH AND CASH EQUIVALENTS AT THE END OF PERIOD | \$27,413 | \$131,031 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Interest paid | \$45,319 | \$29,751 |
| Income taxes paid | \$- | \$- |
| NON-CASH INVESTING AND FINANCING ACTIVITIES: | | |
| Unrealized gain on marketable securities available-for-sale | \$88,600 | \$368,334 |
| Collection of AR in the form of marketable securities | \$126,600 | \$121,881 |
| Deferred revenue received in the form of marketable securities | \$295,000 | \$130,000 |
| Liabilities reclassification from related parties to intercompany due to acquisition of Golden Trust | \$1,247,642 | \$- |

The accompanying notes are an integral part of these unaudited consolidated financial statements.

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Organization

CD International Enterprises, Inc. ("CDII"), a Florida corporation and its subsidiaries are referred to in this report as "we", "us", "our", or "CD International."

We are a U.S. based company that sources, produces and distributes industrial products in Asia and the Americas. We also provide business and financial consulting services to public and private American and Chinese businesses. We operate in two identifiable segments, as defined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 280, "Segment Reporting": Mineral Trading and Consulting. We used to name "Mineral Trading segment" as "Basic Materials segment". Basic Materials segment used to include our subsidiaries, Shanghai Lang Chemical Co., Ltd. ("Lang Chemical") and CDI (Beijing) International Trading Co., Ltd. ("CDI Beijing"). Since we disposed of both subsidiaries on September 30, 2012, we switched our focus on mineral trading business in South America, and we renamed our Basic Materials segment to Mineral Trading segment in fiscal year 2014. Beginning in 2006, we established our Consulting and Mineral Trading segments which grew through acquisitions of controlling interests in Chinese private companies. We consolidate these acquisitions as either wholly or majority owned subsidiaries.

In our Mineral Trading segment, we currently source, finance, manage logistics, and sell industrial commodities from North and South America for ultimate distribution in China. In our Consulting segment, we provide business and financial consulting services to U.S. public companies that operate primarily in China. The consulting fees we charge vary based upon the scope of the services.

On September 30, 2014, the Company signed a share exchange agreement with Yuwei Huang ("Mr. Huang"), a related party, selling our Magnesium segment to Mr. Huang and in return, Mr. Huang and other parties shall return and cancel 8,325,949 shares of the Company's common stock held by such parties related to Mr. Huang and cancel the right to receive 41,524 convertible series D preferred stock within 10 business days after the share exchange agreement was signed. Historically, the Magnesium segment represented our largest segment by revenues and assets. We produced, sold and distributed pure magnesium ingots, magnesium powder and magnesium alloy. Since 2009, the magnesium spot price had not fully recovered to the pre-2009 level and the current spot price is approximately \$2,200 per ton FOB China. Accordingly, we have generated negative gross margins and operating losses, and most of our magnesium facilities ceased production. Due to these losses, in fiscal year 2013 and 2012, the Company decided to impair long-lived assets of the magnesium facilities. Results of operations, financial position and cash flows associated with the Magnesium segment are separately reported as discontinued operations for all periods presented. For additional information, see Note 10.

For the fiscal years 2014 and 2013, subsidiaries included in continuing operations consisted of the following:

- CDI China, Inc. ("CDI China"), a wholly owned subsidiary of CDII;
- International Magnesium Group, Inc. ("IMG"), a wholly owned subsidiary of CDII;
- CDII Minerals, Inc. ("CDII Minerals"), a wholly owned subsidiary of CDII;
- CDII Chile, Ltda. ("CDII Chile"), a wholly owned subsidiary of CDII Minerals;
- CDII Minerals de Peru SAC ("CDII Peru"), a 50% owned subsidiary of CDII Minerals;

- Empresa Minera CDII de Bolivia S.A. (“CDII Bolivia”), a wholly owned subsidiary of CDII Minerals;
- China Direct Investments, Inc. (“China Direct Investments”), a wholly owned subsidiary of CDII;
- CDI Shanghai Management Co., Ltd. (“CDI Shanghai Management”), a wholly owned subsidiary of CDI China; and
- Capital Resource Management Co., Ltd. (“Capital Resource Management”), a wholly owned subsidiary of CDI Shanghai Management, formerly known as Capital One Resource Co., Ltd.

Basis of Presentation

We have defined various periods that are covered in this report as follows:

- “fiscal year 2014” – October 1, 2013 through September 30, 2014
- “fiscal year 2013” – October 1, 2012 through September 30, 2013
- “fiscal year 2012” – October 1, 2011 through September 30, 2012

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014

The consolidated financial statements include the accounts of the Company and its majority owned subsidiaries. All intercompany balances and transactions have been eliminated in the consolidation. Certain information and footnote disclosures normally included in financial statements prepared in conjunction with generally accepted accounting principles have been condensed or omitted as permitted by the rules and regulations of the United States Securities and Exchange Commission (“SEC”), although the Company believes that the disclosures contained in this report are adequate to make the information presented not misleading. The consolidated balance sheet information as of September 30, 2013 was derived from the consolidated audited financial statements included in the Company’s Annual Report on Form 10-K for the year ended September 30, 2013. These consolidated financial statements should be read in conjunction with the annual consolidated audited financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the year ended September 30, 2013, and other reports filed with the SEC.

The accompanying unaudited interim consolidated financial statements reflect all adjustments of a normal and recurring nature which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows of the Company for the interim periods presented. The results of operations for these periods are not necessarily comparable to, or indicative of, results of any other interim period or for the fiscal year taken as a whole.

Going Concern

For the nine months ended June 30, 2014, the Company has incurred a net loss of approximately \$15.8 million and used cash in operation of \$14.3 million. The Company also has a working capital deficit of \$45.8 million and its cash and cash equivalents and its revenues are not currently sufficient and cannot be projected to cover operating expenses in the coming year. These factors raise substantial doubt as to the ability of the Company to continue as a going concern. Management’s plans include attempting to raise funds through debt and equity financings, restructure on-going operations to eliminate inefficiencies and continue to sell assets to raise cash and meet operating needs. Management intends to make every effort to identify and develop sources of funds. There is no assurance that management’s plans will be successful.

Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of consolidated revenue and expenses during the reporting period. Significant estimates include the valuation of investments available-for-sale, the allowance for doubtful accounts receivable, the allowance for obsolete inventory, the fair value of stock based compensation, the useful life of property, plant and equipment, and the valuation of derivative liability.

We rely on assumptions such as volatility, forfeiture rate, and expected dividend yield when deriving the grant date fair value of share based compensation as well as the valuation of derivative liability. If an equity award is modified, and we expect the service conditions of the original award will be met, we will adjust our assumptions and estimates as of the modification date and compare the old equity award valued at the modification date with the new equity award valued at the modification date to calculate any incremental cost. We then continue to recognize the original

grant date fair value plus any incremental cost over the modified service period.

Our estimate for allowance for uncollectible accounts is based on an evaluation of our outstanding accounts receivable, other receivables, and loans receivable including the aging of amounts due, the financial condition of our specific customers and clients, knowledge of our industry segment in Asia, and historical bad debt experience. This evaluation methodology has proven to provide a reasonable estimate of bad debt expense in the past and we intend to continue to employ this approach in our analysis of collectability. However, we are aware that given the current global economic situation, including that of China, meaningful time horizons may change. We intend to enhance our focus on the evaluation of our customers' sustainability and adjust our estimates as may be required.

We group property plant and equipment into similar groups of assets and estimate the useful life of each group of assets.

Assumptions and estimates employed in these areas are material to our reported financial condition and results of operations. Actual results could differ from these estimates.

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
 NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2014

Concentration of Credit Risks

Financial instruments which potentially subject us to concentrations of credit risk consist principally of cash and accounts receivable. We deposit our cash with high credit quality financial institutions in the United States and China. As of June 30, 2014, we had no bank deposits in the United States that exceeded federally insured limits. At June 30, 2014, we had deposits of \$6,793 in banks in China. In China, there is no equivalent federal deposit insurance as in the United States, so the amounts held in banks in China are not insured. We have not experienced any losses in such bank accounts through June 30, 2014.

At June 30, 2014 and September 30, 2013, bank deposits by geographic area were as follows:

| Country | June 30, 2014 | | | September 30, 2013 | | |
|---------------------------------|---------------|--------|------|--------------------|---------|------|
| United States | \$ | 20,620 | 75% | \$ | 151,589 | 81% |
| China | | 6,793 | 25% | | 34,573 | 19% |
| Total cash and cash equivalents | \$ | 27,413 | 100% | \$ | 186,162 | 100% |

In an effort to mitigate any potential risk, we periodically evaluate the credit quality of the financial institutions at which we hold deposits, both in the United States and China.

Fair Value of Financial Instruments

We adopted the provisions of ASC Topic 820, "Fair Value Measurements." These provisions relate to our consolidated financial assets and liabilities carried at fair value and our fair value disclosures related to financial assets and liabilities. ASC Topic 820 defines fair value, expands related disclosure requirements and specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three levels of inputs to fair value measurements below:

- Level 1, meaning the use of quoted prices for identical instruments in active markets;
- Level 2, meaning the use of quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable;
- Level 3, meaning the use of unobservable inputs. Observable market data should be used when available.

The carrying amounts of the Company's financial instruments, such as cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable and accrued expenses, advances from customers, and other current liabilities approximate their fair value due to the short term maturities of these instruments.

The Company's loans payable approximate the fair value of such instruments based upon management's best estimate of interest rates that would be available to the Company for similar financial arrangements at June 30, 2014 and September 30, 2013.

Transactions involving related parties cannot be presumed to be carried out on an arm's-length basis, as the requisite conditions of competitive, free-market dealings may not exist. Representations about transactions with related parties, if made, shall not imply that the related party transactions were consummated on terms equivalent to those that prevail

in arm's-length transactions unless such representations can be substantiated. It is not, however, practical to determine the fair value of amounts due from/to related parties due to their related party nature.

Recurring Fair Value Measurements

The Company uses Level 1 of the fair value hierarchy to measure the fair value of marketable securities and marks the marketable securities available-for-sale at fair value in the statement of financial position at each balance sheet date and reports the unrealized holding gains and losses for marketable securities available-for-sale in other comprehensive income (loss) until realized provided the unrealized holding gains and losses is temporary. If the fair value of investment in marketable securities available-for-sale is less than its cost basis at the balance sheet date of the reporting period for which impairment is assessed, and it is determined that the impairment is other than temporary, then an impairment loss is recognized in earnings equal to the entire difference between the investment's cost and its fair value at the balance sheet date of the reporting period.

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014

The Company uses Level 3 of the fair value hierarchy to measure the fair value of its derivative preferred stock liabilities and revalues the derivative liabilities at every reporting period and recognizes gains or losses in the consolidated statements of operations and comprehensive income (loss) that are attributable to the change in the fair value of derivative liabilities.

The financial assets and liabilities carried at fair value on a recurring basis at June 30, 2014 are as follows:

| Financial assets and liabilities | Fair Value | Level 1 | Level 2 | Level 3 |
|--|----------------|-----------|---------|----------------|
| Marketable equity securities | \$ 70,852 | \$ 70,852 | \$ - | \$ - |
| Receivable of marketable equity securities | 57,900 | 57,900 | - | - |
| Payable to be settled with marketable securities | (56,468) | (56,468) | - | - |
| Derivative liabilities | (1,823,699) | - | - | (1,823,699) |
| | \$ (1,751,415) | \$ 72,284 | \$ - | \$ (1,823,699) |

The financial assets and liabilities carried at fair value on a recurring basis at September 30, 2013 are as follows:

| Financial assets and liabilities | Fair Value | Level 1 | Level 2 | Level 3 |
|--|----------------|------------|---------|----------------|
| Marketable equity securities | \$ 107,539 | \$ 107,539 | \$ - | \$ - |
| Receivable of marketable equity securities | 165,300 | 165,300 | - | - |
| Payable to be settled with marketable securities | (51,000) | (51,000) | - | - |
| Derivative liabilities | (1,398,253) | - | - | (1,398,253) |
| | \$ (1,176,414) | \$ 221,839 | \$ - | \$ (1,398,253) |

Marketable Securities

Marketable securities that we receive from our clients as compensation are generally restricted for sale under Federal securities laws. Our policy is to liquidate securities received as compensation when market conditions are favorable for sale. Since these securities are often restricted, we are unable to liquidate them until the restriction is removed. We recognize revenue for the common stock we receive as compensation based on the fair value at the time the common stock is granted or at the time service has been rendered and for common stock purchase warrants based on the Black-Scholes valuation model. Pursuant to ASC Topic 320, "Investments –Debt and Equity Securities" our marketable securities have a readily determinable quoted price, such as from NASDAQ, NYSE Euronext, the Over the Counter Bulletin Board, and the OTC Markets Group (formerly known as the Pink Sheets) and any unrealized gain or loss is recognized as an element of comprehensive income or loss based on changes in the fair value of the security as quoted on an exchange or an inter-dealer quotation. Once liquidated, any realized gain or loss on the sale of marketable securities is reflected in our statement of operations for the period in which the securities are liquidated.

We perform an analysis of our marketable securities at least on an annual basis to determine if any of these securities have become other than temporarily impaired. If we determine that the decline in fair value is other than temporary we recognize the amount of the impairment as a realized loss into our current period net income (loss). This determination

is based on a number of factors, including but not limited to (i) the percentage of the decline, (ii) the severity of the decline in relation to the enterprise/market conditions, and (iii) the duration of the decline.

Foreign Currency Translation

The accompanying consolidated financial statements are presented in United States dollars. The functional currency of our Chinese subsidiaries is the Renminbi (“RMB”), the official currency of the People’s Republic of China. Capital accounts of the consolidated financial statements are translated into United States dollars from RMB at their historical exchange rates when the capital transactions occurred. Assets and liabilities are translated at the exchange rates as of the balance sheet date. Income and expenditures are translated at the average exchange rates for the three and nine months periods ended June 30, 2014 and 2013, respectively. A summary of the conversion rates for the periods presented is as follows:

| | June 30, 2014 | September 30, 2013 | June 30, 2013 |
|---|------------------|-----------------------|------------------|
| Period end RMB: U.S. dollar exchange rate | 6.1552 | 6.1364 | 6.1732 |
| Average fiscal-year-to-date RMB: U.S. dollar exchange rate | 6.1341 | 6.2330 | 6.2559 |

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014

The RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through PRC authorized institutions. No representation is made that the RMB amounts could have been, or could be, converted into United States dollars at the rates applied in the translation.

Derivative Liabilities

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations, in accordance with ASC 815-15, "Derivative and Hedging". The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

ASC Subtopic 815-40, "Contracts in Entity's Own Equity," requires that entities recognize as derivative liabilities the derivative instruments, including certain derivative instruments embedded in other contracts that are not indexed to an entity's own stock. Pursuant to the provisions of ASC Section 815-40-15, (formerly FASB Emerging Issues Task Force ("EITF") Issue No. 07-5: Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock ("EITF 07-5")), an entity should use a two-step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument's contingent exercise and settlement provisions.

Recent Accounting Pronouncements

In April 2014, the FASB issued ASU 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity". The amendments in the ASU change the criteria for reporting discontinued operations while enhancing disclosures in this area. It also addresses sources of confusion and inconsistent application related to financial reporting of discontinued operations guidance in U.S. GAAP. Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. In addition, the new guidance requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. The amendments in the ASU are effective in the first quarter of 2015 for public organizations with calendar year ends. Early adoption is permitted. The adoption of ASU 2014-08 is not expected to have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from contracts with Customers (Topic 606)". This ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of non-financial assets. This ASU will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. The ASU also supersedes some cost guidance included in Subtopic 605-35, Revenue Recognition-Construction-Type and Production-Type Contracts. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchanged for those goods or services. The standard is effective for annual reporting periods beginning after December 15, 2016, including interim

periods within that reporting period. The Company is currently in the process of evaluating the impact of the adoption on its consolidated financial statements.

In June 2014, the FASB issued ASU 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved After the Requisite Service Period". The amendments in the ASU require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Topic 718, Compensation – Stock Compensation, as it relates to awards with performance conditions that affect vesting to account for such awards. The performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. The amendments in this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. The adoption of ASU 2014-12 is not expected to have a material impact on the Company's consolidated financial statements.

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014

In August 2014, the FASB issued ASU 2014-15, “Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern”. The amendment in the ASU provides guidance on determining when and how to disclose going-concern uncertainties in the financial statements. The new standard requires management to perform interim and annual assessments of an entity’s ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about the entity’s ability to continue as a going concern. The amendments in this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2016. Earlier adoption is permitted. The adoption of ASU 2014-15 is not expected to have a material impact on the Company’s consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, “Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs”. The amendments in the ASU are intended to simplify the presentation of debt issuance costs. These amendments require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. The amendments in this ASU are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted for financial statements that have not been previously issued. The Company is currently in the process of evaluating the impact of the adoption on its consolidated financial statements.

In July 2015, The FASB has issued ASU 2015-11, “Simplifying the Measurement of Inventory”. The amendments in ASU 2015-11 require an entity to measure in scope inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments do not apply to inventory that is measured using last-in, first-out (LIFO) or the retail inventory method. The amendments apply to all other inventory, which includes inventory that is measured using first-in, first-out (FIFO) or average cost. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The amendments should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The adoption of ASU 2015-11 is not expected to have a material impact on the Company’s consolidated financial statements.

NOTE 2 – LOSS PER SHARE

Under the provisions of ASC 260, “Earnings Per Share,” basic loss per common share is computed by dividing net loss attributable to common shareholders by the weighted average number of shares of common stock outstanding for the periods presented. Diluted income (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that would then share in the income of the company, subject to anti-dilution limitations.

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014

The following table presents the computation of basic and diluted loss per share for the three months and nine months ended June 30, 2014 and 2013:

| | For the Three Months Ended June 30, 2014 | For the Three Months Ended June 30, 2013 | For the Nine Months Ended June 30, 2014 | For the Nine Months Ended June 30, 2013 |
|--|--|--|---|---|
| Net loss allocable to common shareholders: | | | | |
| Continuing operations, net of income taxes | \$ (278,846) | \$ (324,012) | \$ (2,998,091) | \$ (8,869,614) |
| Discontinued operations, net of income taxes | (1,727,910) | (1,551,994) | (10,591,027) | (4,580,361) |
| Net loss allocable to common shareholders | (2,006,756) | (1,876,006) | (13,589,118) | (13,449,975) |
| Less: preferred stock dividends | 20,130 | 20,130 | 60,390 | 60,390 |
| Net loss allocable to common stockholders less preferred stock dividends | \$ (2,026,886) | \$ (1,896,136) | \$ (13,649,508) | \$ (13,510,365) |
| Basic weighted average common shares outstanding | 63,209,636 | 56,426,333 | 62,492,530 | 54,730,580 |
| Dilutive weighted average common shares outstanding | 63,209,636 | 56,426,333 | 62,492,530 | 54,730,580 |
| Net loss per common share - basic: | | | | |
| Net loss from continuing operations | \$ (0.00) | \$ (0.01) | \$ (0.05) | \$ (0.16) |
| Net loss from discontinued operations | (0.03) | (0.03) | (0.17) | (0.08) |
| Net loss per common share - basic | \$ (0.03) | \$ (0.04) | \$ (0.22) | \$ (0.24) |
| Net loss per common share - diluted: | | | | |
| Net loss from continuing operations | \$ (0.00) | \$ (0.01) | \$ (0.05) | \$ (0.16) |
| Net loss from discontinued operations | (0.03) | (0.03) | (0.17) | (0.08) |
| Net loss per common share - diluted | \$ (0.03) | \$ (0.04) | \$ (0.22) | \$ (0.24) |

Common stock equivalents are not included in the denominator in periods when anti-dilutive. We excluded 9,000,480 shares of our common stock issuable upon exercise of options, 2,129,130 shares of our common stock issuable upon exercise of warrants and 30,394,981 shares issuable upon conversion of series A preferred stock as of June 30, 2014 as their effect was anti-dilutive. We excluded 125,480 shares of our common stock issuable upon exercise of options, 2,129,130 shares of our common stock issuable upon exercise of warrants and 20,560,986 shares issuable upon

conversion of series A preferred stock as of June 30, 2013 as their effect was anti-dilutive.

NOTE 3 – ACQUISITION OF LINGSHI MAGNESIUM AND GOLDEN TRUST MAGNESIUM

On August 29, 2011, the Company entered into two equity transfer agreements to acquire all of the issued and outstanding capital stock of Golden Trust Magnesium Industry Co., Ltd. (“Golden Trust Magnesium”) and 80% ownership interest in Lingshi Xinghai Magnesium Industry Co., Ltd. (“Lingshi Magnesium”). Subsequently, the Company entered into three supplemental agreements to each of the two equity transfer agreements. Pursuant to the latest supplemental agreements, the aggregate purchase price was \$26,395,586, payable as follows:

- \$15,046,676 in cash or in proceeds from repayment of our intercompany loans. As of 9/30/2013, \$5,845,079 and \$4,909,051 were paid to Golden Trust Magnesium and Lingshi Magnesium, respectively, and the balance of \$2,204,430 and \$2,088,115 remained unpaid to Golden Trust Magnesium and Lingshi Magnesium, respectively;
- \$6,652,825 in 7,032,583 shares of our common stock paid within 15 business days following the closing of the acquisitions, among which \$4,320,436 was paid to Golden Trust Magnesium and \$2,332,389 was paid to Lingshi Magnesium in fiscal year 2012;
- \$4,696,085 to Lingshi Magnesium by way of assignment of our interest in our former subsidiary Excel Rise Technology Co. Ltd. The amount was paid in full upon the close of the acquisition.

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014

Golden Trust Magnesium owns and operates a pure magnesium ingot production facility located on approximately 502,000 square feet of land in Xiaoyi City, Shanxi Province, China, capable of producing up to 20,000 metric tons of pure magnesium per year. Lingshi Magnesium owns and operates a pure magnesium ingot production facility located on approximately 902,000 square feet of land in Jin Zhong City, Shanxi Province, China, capable of producing up to 12,000 metric tons of pure magnesium per year. Both Golden Trust Magnesium and Lingshi Magnesium were related parties before the acquisitions as they were legally represented by an officer of Taiyuan Changxin Magnesium Co., Ltd. (“Chang Magnesium”). Also see Note 7.

Under applicable PRC law, the acquisition of the equity interest in Golden Trust Magnesium and Lingshi Magnesium must be approved by appropriate foreign investment approval authority, and then registered with a competent branch of the State Administration of Industry and Commerce. Failure to obtain these necessary approvals may delay the transfer of the ownership to the Company.

The Company completed the acquisition of Lingshi Magnesium on August 12, 2013 and the acquisition of Golden Trust Magnesium on March 7, 2014. As a result, the common stock issued for the two acquisitions were revalued using the market prices on the dates when the ownership was transferred, and the fair value of the 7,032,583 shares of common stock issued for acquisitions of Lingshi Magnesium and Golden Trust Magnesium was determined to be \$464,982.

However, when the Company was in the process of obtaining the approval and completing registration, due to the inability to operate economically, Lingshi Magnesium had ceased production and the production of Golden Trust Magnesium had decreased to approximately 40% of its normal capacity. In addition, the two entities incurred losses in the operations. Based on these indicators, the Company decided to impair all of payments made for the above acquisitions and recorded the impairment on prepayment for acquisitions which amounted to \$11,944,594 in fiscal year 2012.

Since the Company recorded the impairment on investments in acquisitions mentioned above, the considerations paid for the acquisitions were written down to zero. The following table summarizes the fair value of the assets acquired and liabilities assumed by CD International on the date of the acquisition of Lingshi Magnesium and Golden Trust Magnesium:

| | Lingshi Magnesium | Golden Trust Magnesium |
|--------------------------------|----------------------|---------------------------|
| Current assets | \$ - | \$ 3,125,120 |
| Total identifiable assets | \$ - | \$ 3,125,120 |
| Current liabilities | \$ 562,110 | \$ (3,719,292) |
| Total identifiable liabilities | 562,110 | (3,719,292) |
| Total identifiable net assets | \$ (562,110) | \$ (594,172) |
| Goodwill | \$ 562,110 | \$ 594,172 |

Due to the low production level and recurring losses of Golden Trust Magnesium, the goodwill related to acquisition of \$594,172 was fully impaired during the three months ended March 31, 2014. As Lingshi Magnesium ceased

production before we completed the acquisition, the goodwill related to acquisition of \$562,110 was fully impaired as of September 30, 2013. In connection with the acquisition of Golden Trust Magnesium, the related party payable balance to Golden Trust Magnesium in the amount of \$1,247,642 as of September 30, 2013 was reclassified to intercompany balance.

- 11 -

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014

NOTE 4 – MARKETABLE SECURITIES AVAILABLE-FOR-SALE (INCLUDING \$60,000 FROM RELATED PARTIES)

Marketable securities available-for-sale and marketable securities available-for-sale-related party as of June 30, 2014 and September 30, 2013 consisted of the following financial instruments:

| Company | June 30, 2014 | % of Total | September 30, 2013 | % of Total |
|--|------------------|------------|-----------------------|------------|
| Big Tree Group, Inc. | \$ - | - | \$ 107,539 | 100% |
| Dragon Capital Group, Corp. | 60,000 | 85% | - | - |
| China Logistics Group, Inc. | 10,852 | 15% | - | - |
| Marketable securities available-for-sale | \$ 70,852 | 100% | \$ 107,539 | 100% |

All the securities were received from our clients as consulting fees. During the nine months ended June 30, 2014 and 2013, we collected marketable securities originated from accounts receivable in the cost of \$126,600 and \$121,881, separately, and we collected marketable securities originated from deferred revenue in the cost of \$295,000 and \$130,000, respectively. We categorize the securities as investments in marketable securities available-for-sale or investments in marketable securities available-for-sale-related parties. These securities are quoted either on an exchange or on the over the counter market system. Some of the securities are restricted and cannot be readily sold by us absent a registration of those securities under the Securities Act of 1933 (the “Securities Act”) or the availability of an exemption from the registration requirements under the Securities Act. Our policy is to liquidate the securities on a regular basis. As these securities are often restricted, we are unable to liquidate them until the restriction is removed. Unrealized gains or losses on marketable securities available-for-sale and on marketable securities available-for-sale-related party are recognized on a periodic basis as an element of comprehensive income based on changes in the fair value of the security. Once liquidated, realized gains or losses on the sale of marketable securities available-for-sale and marketable securities available-for-sale-related party are reflected in our net income for the period in which the security was liquidated.

The investments in available-for-sale marketable securities-related party totaled \$60,000 and \$0 at June 30, 2014 and September 30, 2013, respectively and are comprised solely of the securities of Dragon Capital Group Corp. (“Dragon Capital”). Mr. Lisheng (Lawrence) Wang, the CEO and Chairman of the Board of Dragon Capital, is the brother of James (Yuejian) Wang, the CEO of the Company. These securities were issued by Dragon Capital as compensation for consulting services. Dragon Capital is a non-reporting company whose securities are quoted on the OTC Pink Tier of the OTC Markets Group. As such, under Federal securities laws, securities of Dragon Capital generally cannot be resold by us absent a registration of those securities under the Securities Act.

Our marketable securities available-for-sale are carried at fair value. Under the guidance of ASC320, “Investments”, we periodically evaluate our marketable securities to determine whether a decline in their value is other than temporary. Management utilizes criteria such as the magnitude and duration of the decline, in addition to the reasons underlying the decline, to determine whether the loss in value is other than temporary. The term “other-than-temporary” is not intended to indicate that the decline is permanent. It indicates that the prospects for a near term recovery of value are not necessarily favorable, or that there is a lack of evidence to support fair values equal to, or greater than, the carrying value of the investment. Once a decline in value is determined to be other than temporary, the value of

the security is reduced and a corresponding impairment charge to earnings is recognized. In this assessment for various securities at June 30, 2014 and September 30, 2013, the guidance in ASC 320, “the Investment-Debt and Equity Securities”, is carefully followed. In accordance with ASC 320-10-35-33, when an entity has decided to sell an impaired available-for-sale security and the entity does not expect the fair value of the security to fully recover before the expected time of sale, the security shall be deemed other-than-temporarily impaired in the period in which the decision to sell is made. However, an entity shall recognize an impairment loss when the impairment is deemed other than temporary impairment even if a decision to sell has not been made.

For the nine months ended June 30, 2014 and 2013, we had no loss related to other than temporary impairment.

- 12 -

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014

Marketable securities available-for-sale and marketable securities available-for-sale-related party are either valued at the date received or at the date when services are rendered. The table below provides a summary of the changes in the fair of marketable securities for nine months ended June 30, 2014:

| | For the Nine Months Ended June 30, 2014 | | | | | June 30, 2014 |
|--|---|-----------------------------|--|-----------------|----|------------------|
| | September 30, 2013 | Fair value received/sold | Cost basis adjustment for other than temporary impairment | Unrealized loss | | |
| Investment in marketable securities available-for-sale | \$ 107,539 | \$ 51,913 | \$ - | \$ 88,600 | \$ | 70,852 |
| Total Investment in securities available-for-sale | \$ 107,539 | \$ 51,913 | \$ - | \$ 88,600 | \$ | 70,852 |

NOTE 5 – ACCOUNTS RECEIVABLE (INCLUDING \$30,000 FROM RELATED PARTIES)

Accounts receivables include trade receivables and receivables of marketable securities available-for-sale. The receivables of marketable securities are carried at fair market value. The changes in the fair market value of the marketable securities underlying the receivables are reflected in earnings for each period. At June 30, 2014 and September 30, 2013, the fair value of available-for-sale securities receivable was \$57,900 and \$165,300, respectively. At June 30, 2014, the Company also had trade receivable balance of \$11,593 related to mineral trading.

At June 30, 2014, we have a \$27,900 receivable due from 9,000,000 shares of common stock of China Logistic, Inc (OTC: CHLO), and \$30,000 due from 25,000,000 shares of common stock of Dragon Capital Group, Corp. (Pink Sheet: DRGV). At September 30, 2013, we have \$116,550 receivable due from 15,750,000 shares of common stock of China Logistics Group, Inc (OTC: CHLO), and \$48,750 due from 37,500,000 shares of common stock of Dragon Capital Group, Corp. (Pink Sheet: DRGV). Dragon Capital Group, Corp. (Pink Sheet: DRGV) is a related party as Mr. Lisheng (Lawrence) Wang, the CEO and Chairman of the Board of Dragon Capital, is the brother of James (Yuejian) Wang, the CEO of the Company.

NOTE 6 - LOANS PAYABLE

Loans payable at June 30, 2014 and September 30, 2013 consisted of the following:

| Description | June 30, 2014 | September 30, 2013 |
|---|------------------|-----------------------|
| China Direct Investments loan from four Chinese citizens. Due on February 28, 2013 with 12% annual interest rate, currently in default. | \$ 1,000,000 | \$ 1,000,000 |

Secured by 5,099,115 shares of the common stock of China Education International, Inc., which are deemed worthless (1)

China Direct Investments loan from Marc Siegel, \$72,125 and Richard Galterio, \$17,850. Due on March 31, 2013 and currently in default. Lenders agree to waive interest. Secured by pledge of certain assets of CD International Enterprises assets. The Richard Galterio loan was settled during the three months ended December 31, 2013. The Company paid off the Marc Siegel loan on January 13, 2015.

52,125 89,975

China Direct Investments loan from Draco Resources, Inc. Due on March 18, 2015 with 2% annual interest rate. None secured.

200,000 -

Total 1,252,125 1,089,975

Less: current portion (1,252,125) (1,089,975)

Loans payable, long-term \$ - \$ -

(1) On May 28, 2015, we entered into four stock purchase agreements with four Chinese citizens converting the four promissory notes originally signed on August 21, 2012 in an aggregate amount of \$1,000,000 into 20 million shares of CDII common stock at \$0.05 per share. See Note 12.

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 - RELATED PARTY TRANSACTIONS

List of Related Parties

We have specified the following persons and entities as related parties with ending balances as of June 30, 2014 and September 30, 2013:

- Yuwei Huang, our executive vice president of our discontinued magnesium segment, and a member of our board of directors, is chairman of YiWei Magnesium, and chief executive officer and vice chairman of Shanxi Gu Golden Magnesium Co., Ltd. ("Golden Magnesium")
- Taiyuan Yiwei Magnesium Industry Co., Ltd. ("Yiwei Magnesium"), a company organized under the laws of the PRC, is a minority interest owner in Chang Magnesium;
- Shanxi Rixuan Yiwei Magnesium Co., Ltd. ("Rixuan Magnesium"), owned by Yuwei Huang;
- Taiyuan Golden Magnesium Co., Ltd. ("Taiyuan Golden Magnesium"), owned by Yuwei Huang;
- Lifei Huang, is the daughter of Yuwei Huang;
- Pine Capital Enterprises Inc. ("Pine Capital"), a company organized under the laws of the Cayman Islands and of which Lifei Huang is the registered representative;
- Wheaton Group Corp. ("Wheaton"), a company organized under the laws of Brunei Darussalam and of which Lifei Huang is the registered representative;
- Xiaowen Zhuang, a management member of CDI Shanghai Management;
- Kong Tung, a member of the Board of Directors, and chairman of Golden Magnesium, Beauty East, and Golden Trust Magnesium;
- Xumin Cui, the son-in-law of Yuwei Huang;
- Lingshi County Yihong Magnesium Co., Ltd. ("Yihong Magnesium"), a company organized under the laws of the PRC, is legally represented by an officer of Chang Magnesium. Yihong Magnesium is no longer a related party starting from January 1, 2014 as it terminated management agreement with Yiwei Magnesium since then;
- Lingshi Magnesium, a company organized under the laws of the PRC, is legally represented by an officer of Chang Magnesium; Lingshi Magnesium was acquired by the Company on August 12, 2013;
- Golden Trust Magnesium, a company organized under the laws of the PRC, is legally represented by an officer of Chang Magnesium; Golden Trust Magnesium was acquired by the Company on March 7, 2014;
- James (Yuejian) Wang, the CEO of our company;
- Lawrence Wang, the brother of James (Yuejian) Wang;
- Dragon Capital Group, Corp. ("Dragon Capital"), a company organized under the laws of Nevada, U.S., the principal owner is Lawrence Wang; and
- Mining & Logistics SRL ("Minging & Logistics"), a company organized under the laws of Bolivia, is owned by a management member of CDII Bolivia.

As of June 30, 2014, other receivables and prepaid expenses- related parties were \$186,870 consisting of prepaid to suppliers – related parties of \$180,352, and other receivables-related parties of \$6,518 as set forth below:

Prepaid Expenses – Related Parties

Edgar Filing: CD INTERNATIONAL ENTERPRISES, INC. - Form 10-Q

At June 30, 2014 and September 30, 2013, prepaid expenses – related parties for future delivery of inventory were \$180,352 and \$538,187, respectively, as follows:

| CD International Subsidiary | Related Party | June 30, 2014 | September 30, 2013 |
|---|--------------------|-------------------|-----------------------|
| CDII Minerals | Mining & Logistics | \$ - | \$ 396,617 |
| CDI Bolivia | Mining & Logistics | 180,352 | 141,570 |
| Total Prepaid Expenses-Related Parties | | \$ 180,352 | \$ 538,187 |

- 14 -

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014

Other Receivables- Related Parties

At June 30, 2014 and September 30, 2013, other receivables-related parties for working capital purposes were \$6,518 and \$47,884, respectively, as follows:

| CD International Subsidiary | Related Party | June 30, 2014 | September 30, 2013 |
|--|----------------|------------------|-----------------------|
| CDI Chile | Kong Tung | \$ 6,518 | \$ 23,446 |
| CDI Shanghai Management | Dragon Capital | - | 24,438 |
| Total Other Receivables-Related Parties | | \$ 6,518 | \$ 47,884 |

As of June 30, 2014, loan payables and other payables – related parties were \$1,075,864 consisting of loan payables – related parties of \$978,906 and other payables – related parties of \$96,958 as set forth below:

Loan Payables – Related Parties

At June 30, 2014 and September 30, 2013, loan payables – related party was for working capital purposes were \$978,906 and \$320,939, respectively, as follows:

| CD International Subsidiary | Related Party | June 30, 2014 | September 30, 2013 |
|--|----------------------|-------------------|-----------------------|
| China Direct Investments | Kong Tung | \$ 633,600 | \$ - |
| China Direct Investments | James (Yuejian) Wang | 345,306 | 320,939 |
| Total Loan Payables-Related Parties | | \$ 978,906 | \$ 320,939 |

On April 7, 2014, China Direct Investments borrowed \$600,000 from Kong Tung. The loan is due on January 7, 2015 and bears interest rate at 2% per month. At June 30, 2014, China Direct Investments owed Kong Tung a total of \$633,600 including aggregate principal loan amount of \$600,000 and accrued interest of \$33,600.

From time to time, China Direct Investments borrowed funds from James (Yuejian) Wang. At June 30, 2014 and September 30, 2013, CDII owed James (Yuejian) Wang a total of \$345,306 and \$320,939, including aggregate principal loan amount of \$300,000 and accrued interest of \$45,306 and \$20,939, respectively. The loans bear interest at 12% per annum with principal of \$270,000 due on December 31, 2013, and \$30,000 due on September 30, 2014. These loans are currently in default.

Other Payables – Related Parties

At June 30, 2014 and September 30, 2013, other payables – related party for working capital purposes were \$96,958 and \$0, respectively, as follows:

| CD International Subsidiary | Related Party | June 30, 2014 | September 30, 2013 |
|-----------------------------|---------------|------------------|-----------------------|
|-----------------------------|---------------|------------------|-----------------------|

| | | | | | |
|--------------------------------------|----------------------|----|--------|----|---|
| CDI Bolivia | Mining & Logistics | \$ | 15,001 | \$ | - |
| CDI Shanghai Management | Dragon Capital | | 9,748 | | - |
| CDI Shanghai Management | Xiaowen Zhuang | | 27,619 | | - |
| China Direct Investments | James (Yuejian) Wang | | 44,590 | | - |
| Total Other Payables-Related Parties | | \$ | 96,958 | \$ | - |

The Company also had accounts receivable and marketable securities available-for-sale with related parties. See Note 4 and Note 5.

- 15 -

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 – CAPITAL STOCK

Preferred Stock and Related Dividends

As of June 30, 2014 and September 30, 2013, there were 1,006 shares of series A convertible preferred stock outstanding. The series A preferred stock has a stated value per share of \$1,000, carries an 8% per annum dividend rate payable quarterly in arrears and was initially convertible into our common stock at \$7.00 per share. The dividends are payable in cash or shares of our common stock, at our option, subject to certain provisions. The terms of the Series A preferred stock provide that if we sell common stock at a price per share less than the then conversion price of the preferred stock, then we are required to reduce the conversion price of the series A convertible preferred stock to the lower price of the subsequent sale. Since we have issued securities at prices lower than the exercise price of the \$7.00 per share conversion price of the series A preferred, we reduced the exercise price of those outstanding securities. At June 30, 2014, the conversion price of the series A preferred is \$0.05.

The dividends calculated at \$20,130 per quarter are payable in cash or shares of our common stock at our option subject to certain provisions. If paid in shares of common stock, the stock shall be valued at the lower of the conversion price or the average of the weighted average price of the 10 consecutive trading days immediately preceding the dividend date. During the nine months ended June 30, 2014, we paid \$39,390 of dividends in cash. During the nine months ended June 30, 2013, we paid \$912 of dividends in cash and \$59,478 in the form of 513,301 shares of our common stock on our series A convertible preferred stock. As of June 30, 2014 and September 30, 2013, accrued dividend payable is \$48,125 and \$27,125, respectively.

Derivative liabilities

The conversion price of the preferred stock is subject to adjustment if we issue or sell shares of our common stock for a consideration per share less than the conversion or exercise price then in effect, or issue options, warrants or other securities convertible or exchangeable for shares of our common stock at a conversion or exercise price less than the conversion price of the preferred stock then in effect. If either of these events should occur, the conversion price is reduced to the lowest price at which these securities were issued or are exercisable. We refer to these clauses as the “Anti-Dilution Rights”. The Anti-Dilution Rights of the beneficial conversion feature make the conversion option not indexed to the company’s own stock, and therefore requires the conversion feature to be treated as derivative liabilities as provided under EITF 07-05. The Company used maximum value method to determine the fair value of derivative liabilities related to preferred stock conversion option.

As of June 30, 2014 and September 30, 2013, the carrying amounts of the derivative liabilities for preferred stock conversion option were \$1,823,699 and 1,398,253, respectively. The net changes in fair value during the period included in change of fair value of derivative liability were income of \$425,827 and loss of \$425,446 during the three and nine months ended June 30, 2014, and income of \$104,877 and \$318,425 during the three and nine months ended June 30, 2013, respectively.

Common Stock

We have 1,000,000,000 shares of common stock, par value \$.0001, authorized. At June 30, 2014, there were 63,209,636 shares of common stock issued and outstanding and there were 58,399,636 shares of common stock issued

and outstanding at September 30, 2013.

During the nine months ended June 30, 2014, we issued a total of 4,810,000 shares of our common stock comprised of: 1,610,000 shares to consultants for services, valued at \$161,439 and 3,200,000 shares in connection with the exercise of 3,200,000 stock options for a consideration of \$160,000, including the actual net cash receipts of \$105,000, \$12,150 in receivables which was subsequently collected in December of 2014, and \$42,850 to settle our debts and accrued liabilities for an amount of \$75,002, resulting in \$32,152 gain on settlement due to the excess of liabilities forgiven.

During the nine months ended June 30, 2013, we issued a total of 5,426,334 shares of our common stock comprised of: 2,363,432 shares to consultants for services valued at \$259,138; 2,349,601 shares to employees as compensation valued at \$229,131; and 513,301 shares for dividends of \$59,478. The Company also issued 200,000 shares of common stock in connection with the exercise of 200,000 stock options for cash proceeds of \$20,000.

- 16 -

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014

Option and Warrants

The following table sets forth our stock option activities during the nine months ended June 30, 2014:

| Description | Shares underlying options | Weighted average exercise price |
|---|------------------------------|------------------------------------|
| Balance at September 30, 2013 | 12,325,480 | \$ 0.15 |
| Outstanding and exercisable at September 30, 2013 | 3,325,480 | \$ 0.43 |
| Granted | - | - |
| Expired | (125,000) | 10.00 |
| Exercised | (3,200,000) | 0.05 |
| Balance at June 30, 2014 | 9,000,480 | \$ 0.05 |
| Outstanding and Exercisable at June 30, 2014 | 480 | \$ 11.25 |

As of June 30, 2014 and September 30, 2013, we had 9,000,480 and 12,325,480 shares underlying options outstanding.

The remaining contractual life and exercise price of options outstanding and exercisable at June 30, 2014 are as follows:

| Number of options outstanding and exercisable | Exercise price | Remaining contractual life (Years) |
|---|----------------|--|
| 400 | \$ 2.25 | 0.85 |
| 80 | \$ 56.25 | 0.42 |
| 480 | \$ 11.25 | |

Common Stock Purchase Warrants

A summary of the status of our outstanding common stock purchase warrants granted as of June 30, 2014 and changes during the period is as follows:

| | Shares underlying warrants | Weighted average exercise price |
|---|-------------------------------|------------------------------------|
| Outstanding and exercisable at September 30, 2013 | 2,129,130 | \$ 2.20 |
| Outstanding and exercisable at June 30, 2014 | 2,129,130 | \$ 2.20 |

The following information applies to all warrants outstanding and exercisable at June 30, 2014.

| Number of Warrants outstanding and exercisable | Exercise Price | Remaining contractual life (Years) |
|--|----------------|--|
| 777,778 | \$ 2.00 | 3.08 |
| 1,351,352 | \$ 2.31 | 0.46 |

| | | |
|-----------|----|------|
| 2,129,130 | \$ | 2.20 |
|-----------|----|------|

The Company recognized a total of \$154,911 and \$0 stock option expenses for the nine months ended June 30, 2014 and 2013, respectively. The value of options was calculated using Black Scholes Option Pricing Model based upon the following assumptions: dividend yield of 0%, volatility of 120% - 139%, risk free rate of 0.48% - 1.20%, and an expected term of 2.5 to 4.5 years.

- 17 -

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014

NOTE 9 - SEGMENT INFORMATION

For the three and nine months ended June 30, 2014 and 2013, the Company operated in two reportable business segments - (1) Mineral Trading segment, formerly Basic Materials segment, where we sell and distribute of a variety of products, including iron ore products, non-ferrous metals, recycled materials, and industrial commodities, and (2) Consulting segment where we provide business and financial consulting services to U.S. public companies that operate primarily in China. The Company's reportable segments are strategic business units that offer different products. They are managed separately based on the fundamental differences in their operations. Information with respect to these reportable business segments for the three and nine months ended June 30, 2014 and 2013 are as follows:

| | For the Three Months Ended June 30, 2014 | For the Three Months Ended June 30, 2013 | For the Nine Months Ended June 30, 2014 | For the Nine Months Ended June 30, 2013 |
|--|--|--|---|---|
| Revenues: | | | | |
| Mineral Trading | \$ 5,976 | \$ 524,455 | \$ 469,216 | \$ 1,588,161 |
| Consulting | 207,059 | 50,472 | 665,706 | 296,729 |
| Total revenue: | \$ 213,035 | \$ 574,927 | \$ 1,134,922 | \$ 1,884,890 |
| Depreciation: | | | | |
| Mineral Trading | \$ 1,989 | \$ 3,257 | \$ 12,455 | \$ 20,068 |
| Consulting | 9,519 | 11,398 | 22,294 | 55,125 |
| Total depreciation: | \$ 11,508 | \$ 14,655 | \$ 34,749 | \$ 75,193 |
| Interest expenses and interest expenses – relate parties: | | | | |
| Mineral Trading | \$ 515 | \$ 1,385 | \$ 7,904 | \$ 26,759 |
| Consulting | 48,194 | 75,587 | 98,072 | 138,979 |
| Total interest expenses and interest expenses – relate parties: | \$ 48,709 | \$ 76,972 | \$ 105,976 | \$ 165,738 |
| Net income (loss) from continuing operations: | | | | |
| Mineral Trading | \$ (222,494) | \$ (264,720) | \$ (987,954) | \$ 58,381 |
| Consulting | (56,353) | (59,292) | (2,010,138) | (8,927,995) |
| Total net loss from continuing operations: | \$ (278,747) | \$ (324,012) | \$ (2,998,092) | \$ (8,869,614) |

Total tangible assets by segment as of June 30, 2014 and September 30, 2013 are as follows:

| | June 30, 2014 | September 30, 2013 |
|-----------------|------------------|-----------------------|
| Mineral Trading | \$ 4,031 | \$ 9,057 |
| Consulting | 96,544 | 128,296 |

| | | | | |
|--------------|----|---------|----|---------|
| Total assets | \$ | 100,575 | \$ | 137,353 |
|--------------|----|---------|----|---------|

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014

NOTE 10 – DISCONTINUED OPERATIONS

Subsidiaries to be Disposed

On September 30, 2014, the Company entered into a share exchange agreement to dispose its Magnesium segment as a result of the repositioning of the Company in view of the deterioration of operating results from Magnesium segment. Results of operations, financial position and cash flows associated with Magnesium segment as well as entities to be disposed in Mineral Trading segment including the following subsidiaries are separately reported as discontinued operations for all periods presented.

| | |
|---|----------------------------|
| · | Asia Magnesium; |
| · | Beauty East; |
| · | CDI Jingkun Zinc; |
| · | CDI Jixiang Metal; |
| · | Marvelous Honor; |
| · | Baotou Changxin Magnesium; |
| · | Lingshi Magnesium; |
| · | Ruiming Magnesium; |
| · | Chang Magnesium; |
| · | Chang Trading; |
| · | IMTC; and |
| · | CDI Metal |

Summarized Financial Information for Discontinued Operations

The carrying amounts of the major classes of assets and liabilities of discontinued operations as of June 30, 2014 and September 30, 2013 were as follows:

| | June 30, 2014 | September 30, 2013 |
|--|------------------|-----------------------|
| Assets of discontinued operations: | | |
| Cash and cash equivalents | \$ 137,879 | \$ 353,014 |
| Accounts and notes receivable | 4,640,516 | 2,794,796 |
| Accounts, loans, other receivable and prepaid expenses - related parties | 454,858 | 3,778,127 |
| Inventories, net | 278,740 | 1,082,933 |
| Prepaid expenses and other current assets, net | 1,422,367 | 616,978 |
| Restricted cash, current | - | 4,398 |
| Property, plant and equipment, net | - | 27,114 |
| Intangible assets | - | 41,950 |
| Other long-term assets | 162 | 163 |
| Total assets of discontinued operations | \$ 6,934,522 | \$ 8,699,473 |
| Liabilities of discontinued operations: | | |
| Loans payable - short term | \$ 97,479 | \$ 97,777 |

Edgar Filing: CD INTERNATIONAL ENTERPRISES, INC. - Form 10-Q

| | | |
|---|---------------|---------------|
| Accounts payable and accrued expenses | 4,012,326 | 4,120,003 |
| Accounts and other payables - related parties | 23,415,545 | 13,527,674 |
| Advances from customers | 734,438 | 6,719,316 |
| Deferred revenue | 12,252,989 | 11,899,391 |
| Other liability | 7,114,197 | 1,560,303 |
| Accrued salary payable | 741,941 | 158,898 |
| Tax payable | 133,087 | 155,054 |
| Total liabilities of discontinued operations | \$ 48,502,002 | \$ 38,238,416 |

- 19 -

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014

The following table presents the results of discontinued operations for the three and nine months ended June 30, 2014 and 2013:

| | For the Three Months Ended June 30, | | For the Nine Months Ended June 30, | |
|---|-------------------------------------|-----------------|------------------------------------|-----------------|
| | 2014 | 2013 | 2014 | 2013 |
| Revenues | \$ 13,387,572 | \$ 9,972,827 | \$ 32,146,571 | \$ 30,300,703 |
| Cost of revenues | 14,324,587 | 11,098,719 | 34,981,757 | 35,220,205 |
| Loss before income taxes | (1,790,330) | (1,260,325) | (12,849,756) | (5,464,608) |
| Income tax expense | - | - | - | - |
| Loss from discontinued operations | (1,790,330) | (1,260,325) | (12,849,756) | (5,464,608) |
| Gain (loss) from disposal, net of taxes | - | - | - | - |
| Total loss from discontinued operations | \$ (1,790,330) | \$ (1,260,325) | \$ (12,849,756) | \$ (5,464,608) |

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Income Tax Matters

The IRS is currently auditing our consolidated income tax return for 2008. The IRS has proposed an adjustment to our 2008 taxable income and penalties of approximately \$4.6 million (approximately \$3.1 million in income tax and \$1.5 million in penalties) primarily related to transfer pricing issues pursuant to IRC section 482. In May 2013, the case was sent to the Appeals division of the Internal Revenue Service. At present we are in the process of waiting for the Service to assign an examiner to determine the validity of our position as it relates to the transfer pricing issue and revenue reorganization of restricted stock. We retained an independent accounting firm that has conducted an independent transfer pricing study, an evaluation of the tax basis value of marketable securities received for services, and an analysis of the allocation of the related costs and expenses associated with such revenues. As a result of such study and as a result of net operating tax loss carry forwards, we believe that no income tax or penalties will be assessed against us by the IRS and we intend to vigorously defend our position including an appeal in the U.S. Tax Court. If we are unable to defend our position, any such adjustment could have a material effect on the Company's results of operations and financial position and liquidity.

Legal Contingencies

Our wholly owned subsidiaries, China Direct Investments, Inc. ("China Direct") and Capital Resource Management Co., Ltd. ("Capital Resource"), and our Company are involved in the following litigation with a shareholder of Linkwell Corporation, Ltd. ("Plaintiff"):

On January 9, 2013, Plaintiff filed a petition in the United States District Court for the Southern District of Florida (Case No. 12-cv-62539-WJZ) to complain that Linkwell's directors (Director Defendants) breached their fiduciary duties to Linkwell and its shareholders by entering into a transaction intended to obscure their "secret transfer" of Linkwell's valuable subsidiaries to themselves or entities they control or Ecolab, Inc. without fair compensation being paid to Linkwell and by causing Linkwell to file and disseminate materially misleading information.

In addition, Plaintiff contended that the “Non-Director Defendants” – including the Company and its subsidiaries, China Direct and Capital Resource – aided and abetted those breaches and conspired with the Director Defendants to commit those breaches. The Plaintiff also contended that all defendants were unjustly enriched and are liable for attorney’s fees. China Direct and Capital Resource are alleged to have acted as consultants who were the “principal moving force” behind the challenged transaction, for which consulting services each is alleged to have received shares of Linkwell common stock.

Subsequent to the filing of the initial complaint, Linkwell’s Board of Directors unwound the challenged transaction and the shares received by China Direct and Capital Resource were returned to Linkwell. The Company, as well as China Direct and Capital Resource, has denied all liability and intends to contest the matter vigorously.

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014

On February 14, 2014, Metamining, Inc., Metamining Nevada, Inc., Song Qiang Chen, and Ling Li submitted their objections to Linkwell's affidavit pursuant to Federal Rule of Civil Procedure 37 for payment of expenses including attorney's fees. The Company has also produced documents and interrogatory responses in response to discovery served by Linkwell. A pretrial conference is scheduled for August 28, 2015. As of June 2014, the Plaintiff claimed that his attorneys' fees and costs exceeded \$1 million. As of the filing date, the Company has paid to the attorney of the Plaintiff, Wolf Haldenstein Adler Freeman & Herz, LLP, \$33,000 for the attorney fees claimed.

On April 28, 2015, TCA Global Credit Master Fund, LP. ("TCA") filed a complaint/petition in the Circuit Court of for the 17th Judicial Circuit in and for Broward County, Florida. (Case No. 15-007210). The complaint/petition alleges that the Company is in 1) breach of credit facility agreement by CD International Enterprises, Inc.; 2) foreclosure of security interest against CD International Enterprises, Inc., CDI China, Inc., China Direct Investments, Inc., CDII Minerals, Inc. International Magnesium Group, Inc., and James (Yuejian) Wang; 3) breach of revolving convertible promissory note by CD International Enterprises, Inc.; 4) breach of guaranty against James (Yuejian) Wang and CDI China, Inc., China Direct Investments, Inc., CDII Minerals, Inc. International Magnesium Group, Inc.; 5) fraudulent misrepresentation as to CD International and James (Yuejian) Wang; and 6) negligent misrepresentation as to CD International Enterprises, Inc. and James (Yuejian). The Company denies such allegations. The company will vigorously defend and enter a counter claim against TCA in violation of Florida Usury Laws. The Company has proposed a settlement and has recorded all the liabilities related to the loans and interest.

NOTE 12 - SUBSEQUENT EVENTS

On July 30, 2014, we closed a Senior Secured Revolving Credit Facility Agreement (the "Credit Agreement") with TCA Global Credit Master Fund, LP ("TCA"), a Cayman Islands limited partnership, which had an effective date of July 30, 2014. Pursuant to the Credit Agreement, TCA agreed to loan us up to a maximum of \$5 million for working capital purposes. The initial credit line is \$2,000,000 subject to funding in the discretion of TCA. In connection with the closing, an initial take down of \$650,000 was funded by TCA. Any increase in the amount of the credit line from the initial amount up to the maximum amount is at the discretion of TCA.

The amounts borrowed pursuant to the Credit Agreement are evidenced by a Revolving Note (the "Revolving Note") and the repayment of the Revolving Note is secured by a first position security interest in substantially all of our assets in favor of TCA as evidenced by a security agreement. The loan is additionally secured by the pledge of the stock of the Company's operating subsidiaries. The initial Revolving Note in the amount of \$650,000 is due and payable along with interest thereon on January 31, 2015, and bears interest at the rate of 10% per annum. TCA will collect in reserve an amount which is held in a lock box account equal to 20% of the revolving loan commitment on such date.

TCA may convert all or any portion of the outstanding principal, accrued and unpaid interest, and any other sums due and payable under the Revolving Note into shares of our common stock at a conversion price equal to 85% of the lowest daily volume weighted average price of our common stock during the five trading days immediately prior to such applicable conversion date, in each case subject to TCA not being able to beneficially own more than 4.99% of our outstanding common stock upon any conversion.

We have the right to prepay the Revolving Note, in whole or in part. If we prepay the Revolving Note in excess of 80% of the principal within 90 to 180 days prior to the maturity date of the note, we are obligated to pay TCA an amount for liquidated damages and for the costs of being prepared to make funds available under the Credit Agreement equal to 2.5% of the outstanding Revolving Note Commitment.

An event of default under the Credit Agreement as described in that agreement includes (i) any non-payment of the obligations, (ii) material misrepresentations by us in the Credit Agreement or any related document, (iii) a default by us of our obligations under the terms of the Credit Agreement or any other related agreement, (iv) a default by us under any other obligation, (v) a bankruptcy of our company or other assignment for the benefit of creditors, (vi) a judgment against us in excess of a specified amount, (vii) the occurrence of a “Material Adverse Effect” as described in the Credit Agreement, (viii) a change of control of our company, (ix) an impairment of any of the collateral we have pledged, (x) a material adverse change in our financial condition or value of the collateral, or (xi) a determination by TCA that the prospect for the repayment by us of the obligation is impaired. Upon the occurrence of an event of default under the Credit Agreement or the Revolving Note, all amounts become immediately due and payable.

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014

We also agreed to pay TCA various fees during the term of the Credit Agreement, including (i) a commitment fee at closing of the 2% of the initial credit line commitment, (ii) an advisory fee of \$100,000, payable in eight monthly installments starting December 31, 2014; (iii) facility fees consisting of our common stock equal to the \$175,000; and (iv) asset monitoring and due diligence fees. In total, we paid \$50,010 in cash fees, expenses and closing costs in connection with the closing and as such, netted \$599,990 in connection with the closing. We also provided TCA with certain make whole rights with regard to our common stock used as fees or upon conversion of the convertible promissory notes.

During the term of the Credit Agreement, we are prohibited from (i) incurring any indebtedness, other than in connection with the Credit Agreement or as otherwise approved by TCA, (ii) making any new investments, (iii) creating any encumbrances on our assets, (iv) making any capital expenditures not in the ordinary course of business or without TCA's prior consent, (v) permitting a change in control of our company, (vi) repurchase or redeeming any shares, or making any distributions, (vii) affecting any transactions with our affiliates or increasing the salary of our officers, and (viii) certain other actions as described in greater detail in the Credit Agreement.

On July 31, 2014, we issued 3,154,115 restricted shares of our common stock valued at \$0.06 per share to TCA for a total of \$189,247 for advisory services provided. In addition, the recipient is a sophisticated investor and had access to information normally provided in a prospectus regarding us.

On September 10, 2014, we issued 825,272 restricted shares of our common stock valued at \$0.10 per share to Kashwise Global Funding, Inc. and paid \$25,000 in cash as a finder fee. In addition, the recipient is a sophisticated investor and had access to information normally provided in a prospectus regarding us.

On September 12, 2014, we entered into addendums to promissory notes for two secured promissory notes. One was dated February 14, 2013 for the principal amount of \$300,000 due by December 31, 2013 and the other was dated September 30, 2013 for the principal amount of \$30,000 due by September 30, 2014 with our Chief Executive Officer Yuejian (James) Wang. Under the terms of the addendums, the maturity date for the notes may be extended to September 30, 2015 and the Company shall have the option to repay Yuejian (James) Wang the unpaid principal amounts of the notes and accrued interest owed in (i) cash or (ii) shares of our common stock valued at \$0.05 per share. The Board authorized the Company to issue to Yuejian (James) Wang, 7,138,764 shares of CDII common stock as payment for \$356,939.18 pursuant to the terms and conditions of the notes and accrued interest, and 1,200,000 shares of CDII common stock as payment for \$60,000 as reimbursement for the advances.

On September 12, 2014, the Company's board of directors approved the issuance of 1,360,000 shares of our common stock, valued at 0.05 per share, to Ms. Qingchen Zhao, 510,400 shares of our common stock, valued at 0.05 per share, to Ms. Liang Xu, key employees of the Company, 72,000 shares of our common stock, valued at 0.05 per share, to Ms. Peisha Shen, key employees of the Company, and 42,000 shares of our common stock, valued at 0.05 per share, to Mr. Siqi Wu, key employees of the Company as repayment for salaries owed in years 2012 and 2013. The recipients were sophisticated investors who had access to business and financial information concerning the Company. The issuances were exempt from registration under the Securities Act of 1933, as amended, in reliance exemptions provided by Section 4(a)(2) of that act.

On September 30, 2014, CDI China, Inc. signed a share exchange agreement with Yuwei Huang selling our Magnesium segment to Mr. Huang and in return, Mr. Huang shall cancel 8,325,949 shares of CDII common stock held by different individuals related to Mr. Huang and cancel the right to receive 41,524 convertible series D preferred

stock within 10 business days.

On October 9, 2014, we issued 500,000 restricted shares of our common stock valued at \$0.06 per share to Bear Creek Capital LLC. as compensation for consulting services rendered by Bear Creek Capital LLC. In addition, the recipient is a sophisticated investor and had access to information normally provided in a prospectus regarding us. In addition, we will issue Bear Creek Capital LLC 250,000 warrants at a cashless strike price of \$0.25 per share for 3 years.

On October 9, 2014, we issued 1,000,000 restricted shares of our common stock valued at \$0.06 per share to Ross Friedman as a finder fee. In addition, the recipient is a sophisticated investor and had access to information normally provided in a prospectus regarding us.

On January 5, 2015, we entered into a purchase agreement of a convertible promissory note with Yewen Xi, a Chinese investor, for the principal amount of \$500,000 at 12% annual interest rate, due by December 31, 2015. Yewen Xi shall have the right to convert the outstanding principal amount and interest into common stock of CDII at the fixed conversion price of \$0.03 per share.

On January 21, 2015, we issued 5,000,000 restricted shares of our common stock valued at \$0.03 per share to Hui Dong as consulting fees. In addition, the recipient is a sophisticated investor and had access to information normally provided in a prospectus regarding us.

On April 28, 2015, the Company entered into an agreement with Xiaowen Zhuang, a Chinese individual, to transfer its entire 95% equity interest and all liabilities in CDI Jingkun Zinc and 100% equity interest and all liabilities in CDI Metal to Xiaowen Zhuang for a consideration of \$0.

On April 28, 2015, TCA Global Credit Master Fund, LP. ("TCA") filed a complaint/petition in the Circuit Court of for the 17th Judicial Circuit in and for Broward County, Florida. (Case No. 15-007210). The complaint/petition alleges that the Company is in 1) breach of credit facility agreement by CD International Enterprises, Inc.; 2) foreclosure of security interest against CD International Enterprises, Inc., CDI China, Inc., China Direct Investments, Inc., CDII Minerals, Inc. International Magnesium Group, Inc., and James (Yuejian) Wang; 3) breach of revolving convertible promissory note by CD International Enterprises, Inc.; 4) breach of guaranty against James (Yuejian) Wang and CDI China, Inc., China Direct Investments, Inc., CDII Minerals, Inc. International Magnesium Group, Inc.; 5) fraudulent misrepresentation as to CD International and James (Yuejian) Wang; and 6) negligent misrepresentation as to CD International Enterprises, Inc. and James (Yuejian). The Company denies such allegations. The company will vigorously defend and enter a counter claim against TCA in violation of Florida Usury Laws. The Company has proposed a settlement and has recorded all the liabilities related to the loans and interest.

On April 30, 2015, the Company entered into an agreement with Dragon Capital Group Corp to transfer its 100% equity interest and all liabilities in CDI Jixiang Metal for a consideration of \$0.

On May 28, 2015, we entered into four stock purchase agreements with four Chinese citizens converting the four promissory notes originally signed on August 21, 2012 in an aggregate amount of \$1,000,000 into 20 million shares of CDII common stock at \$0.05 per share. The original promissory notes were due on February 28, 2013 and bear an interest rate of 12% per annum.

On June 1, 2015, we entered into a purchase agreement of a convertible promissory note with Yewen Xi, a Chinese investor, for the principal amount of \$200,000 at 12% annual interest rate, due by May 31, 2016. Yewen Xi shall have the right to convert the outstanding principal amount and interest into common stock of CDII at the fixed conversion price of \$0.01 per share.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.

The following discussion and analysis of our consolidated financial condition and results of operations for the three and nine months ended June 30, 2014 and 2013 should be read in conjunction with the consolidated financial statements and other information presented in our Annual Report on Form 10-K for the year ended September 30, 2013 as filed with the Securities and Exchange Commission on January 15, 2015 and with the consolidated financial statements and other information presented in this Quarterly Report on Form 10-Q.

OVERVIEW OF OUR OPERATIONS

Our Business

We are a U.S. company that manages a portfolio of entities in China and the Americas. We used to operate in three identifiable business segments, as defined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 280, "Segment Reporting": Magnesium, Mineral Trading (formerly, Basic Materials) and Consulting. Beginning in 2006, we established our Magnesium and Mineral Trading segments which have grown through acquisitions of co