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)

x 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

o 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

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. oYes x 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).xYeso 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	o	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) o Yes x 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.

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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 v 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.
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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.

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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 ACTIVITES	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.

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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.

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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

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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.

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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.

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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.

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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.

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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