

CD INTERNATIONAL ENTERPRISES, INC.  
Form 10-Q  
March 27, 2017

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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 December 31, 2016

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.)

1333 S. University Drive, Suite 202, Plantation, Florida  
(Address of principal executive offices)

33342  
(Zip Code)

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

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.  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:

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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 34,577,271 shares of common stock are issued and outstanding as of March 24, 2017.

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As used in this report "CD International", "we", "us", "our" or "Company" refers to CD International Enterprises, Inc., a Florida corporation, and our subsidiaries, "fiscal year 2016" refers to the year ended September 30, 2016, "fiscal year 2015" refers to the year ended September 30, 2015 and "fiscal year 2017" refers to the year ending September 30, 2017. The information which appears on our web site at [www.cdii.net](http://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 any 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" in our Annual Report on Form 10-K for the fiscal year 2016 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.
- 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.
- 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", "our" or "Company" 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.

#### Trading Segment

- "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, which we disposed in April 2015;
- "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, which we disposed in April 2015;
- "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, which we disposed in April 2015;
- "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, which we disposed of in July 2015;
- "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.

#### Consulting Segment

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"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., which we abandoned in April 2016.

## PART 1 - FINANCIAL INFORMATION

## Item 1. Financial Statements.

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

As of December 31, 2016 and September 30, 2016

	December 31, 2016 (Unaudited)	September 30, 2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 9,597	\$ 10,309
Prepaid expenses and other current assets, net	28,424	19,909
Total current assets	38,021	30,218
Property, plant and equipment, net	-	1,265
Total assets	\$ 38,021	\$ 31,483
<b>LIABILITIES AND EQUITY (DEFICIT)</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 942,231	\$ 899,476
Convertible notes payable, net of discount	1,560,908	1,466,125
Loans payable	234,578	234,578
Loans and other payables - related parties	1,019,010	966,550
Advances from customers	422,898	422,898
Derivative liabilities	12,877,975	9,958,576
Other liabilities	7,417,132	7,410,394
Total current liabilities	24,474,732	21,358,597
Total liabilities	24,474,732	21,358,597
Equity (deficit):		
Series A convertible preferred stock: \$.0001 par value, stated value \$1,000 per share; 20,000,000 authorized, 1,006 shares outstanding at December 31, 2016 and September 30, 2016, respectively	1,006,250	1,006,250
Common stock: \$.0001 par value; 9,500,000,000 authorized; 34,577,258 and 9,947,740 issued and outstanding at December 31, 2016 and September 30, 2016, respectively	3,458	995
Additional paid-in capital	87,358,158	87,117,078
Accumulated other comprehensive loss	(560,517)	(562,393)
Accumulated deficit	(112,244,060)	(108,889,044)
Total deficit	(24,436,711)	(21,327,114)
Total liabilities and deficit	\$ 38,021	\$ 31,483

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 months ended December 31, 2016 and 2015  
(Unaudited)

	For the Three Months Ended December 31,	
	2016	2015
Revenues	\$ -	\$ 34,215
Including: revenues from related party	-	23,874
Cost of revenues	-	8,628
Gross profit	-	25,587
Operating expenses:		
Selling, general, and administrative	207,348	373,728
Total operating expenses	207,348	373,728
Operating loss	(207,348)	(348,141)
Other income (expenses):		
Other income (expenses)	(45)	102,042
Interest expenses	(155,629)	(925,529)
Interest expenses - related parties	(8,100)	(8,100)
Realized loss on marketable securities available-for-sale	-	(52,679)
Gain on revaluation for receivable and payable of marketable securities available-for-sale	-	19,100
Change in fair value of derivative liability	(2,963,764)	(11,240,281)
Total other expenses	(3,127,538)	(12,105,447)
Loss from continuing operations before income taxes	(3,334,886)	(12,453,588)
Income tax expense	-	-
Net loss from continuing operations	(3,334,886)	(12,453,588)
Discontinued operations:		
Loss from discontinued operations, net of taxes	-	(23,533)
Total loss from discontinued operations, net taxes	-	(23,533)
Net loss	(3,334,886)	(12,477,121)
Net loss attributable to CD International Enterprises, Inc.	(3,334,886)	(12,477,121)
Dividends on Series A preferred stock	(20,130)	(20,130)
Net loss allocable to common stockholders	\$ (3,355,016)	\$ (12,497,251)
<b>COMPREHENSIVE LOSS:</b>		
Net loss	\$ (3,334,886)	\$ (12,477,121)
Foreign currency translation adjustments	1,876	(482)
Unrealized gain on marketable securities available-for-sale	-	29,650
Comprehensive loss	(3,333,010)	(12,447,953)
Foreign currency translation adjustments - non-controlling interest	-	-
Comprehensive loss attributable to CD International Enterprises, Inc.	(3,333,010)	(12,447,953)
Preferred stock dividend	(20,130)	(20,130)

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Comprehensive loss attributable to common stockholders	\$	(3,353,140)	\$	(12,468,083)
Net loss per common share - basic and diluted:				
Net loss from continuing operations	\$	(0.15)	\$	(1,085.75)
Net loss from discontinued operations		-		(2.05)
Net loss per common share	\$	(0.15)	\$	(1,087.80)

Basic and diluted weighted average common shares outstanding		22,685,267		11,489
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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 Three Months Ended December 31, 2016 and 2015  
(Unaudited)

	For the Three Months Ended December 31,	
CASH FLOWS FROM OPERATING ACTIVITIES:	2016	2015
Net loss	\$ (3,334,886)	\$ (12,477,121)
Loss from discontinued operations	-	23,533
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,265	3,131
Share - based compensation - employees	167,000	-
Share issued to third parties for services provided	5,000	50,100
Stock option expenses	-	10,043
Realized loss on marketable securities available-for-sale	-	52,679
Amortization of debt discounts	161,431	824,076
Change in fair value of derivative liabilities	2,963,764	11,240,281
Other income due to revaluation of accounts receivable and accounts payable	-	(19,100)
Changes in operating assets and liabilities:		
Accounts receivable and accounts receivable - related party	-	8,024
Prepaid expenses and other current assets, net	(8,593)	