

For personal use only



China Magnesium Corporation Limited

AGM Presentation

November 2016

Disclaimer



This presentation has been prepared by and issued by China Magnesium Corporation Limited (“CMC”) to assist it in informing interested parties about the Company and its progress. It should not be considered as an offer or invitation to subscribe for or purchase any securities in the Company or as an inducement to make an offer or invitation with respect to those securities. No agreement to subscribe for securities in the Company will be entered into on the basis of this presentation.

You should not act or refrain from acting in reliance on this presentation material. This overview of CMC does not purport to be all inclusive or to contain all information which its recipients may require in order to make an informed assessment of the Company’s prospects. You should conduct your own investigation and perform your own analysis in order to satisfy yourself as to the accuracy and completeness of the information, statements and opinions contained in this presentation and making any investment decision.

Neither the Company nor its advisers have verified the accuracy or completeness of the information, statements and opinions contained in this presentation. Accordingly, to the maximum extent permitted by law, the Company and its officers, employees, advisers and agents make no representation and give no assurance, guarantee or warranty, express or implied, as to, and take no responsibility and assume no liability for, the authenticity, validity, accuracy, suitability or completeness of, or any errors in or omission, from any information, statement or opinion contained in this presentation.

Reports and Announcements can be accessed via the CMC website – www.chinamagnesiumcorporation.com

Forward-Looking Statements:

This presentation includes certain “Forward-Looking Statements”. All statements, other than statements of historical fact, included herein, including without limitation, statements regarding forecast cash flows, future expansion plans and development objectives of CMC are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.

Key Developments Since 2015 AGM

- CMC procures 2 tenements at Greenbushes, WA. Exploration permit already approved for 1 tenement.
- CMC identifies and secures key investor to provide sufficient funding for exploration
- Framework Agreement with SMH – lithium/tantalum exploration project - SMH inject RMB 5.25M (\$1M) for 60% interest - CMC inject 2 tenements for 40% interest
- Issue of 80M shares under 1 : 2.4378 rights at \$0.025 to raise \$2M (November 2016) over-subscribed
- Adaptation of all coal-to-gas units into the operational semi-coke crackers completed
- Sustained improvement in Magnesium prices has triggered work to commence at the site with production targeted to commence late 2016 / early 2017
- Improved market conditions for magnesium expected to continue
- Co-operation agreement for FMW commenced February 2015 terminated June 2016 with Fengyan. Fengyan acquire CMC share of losses (RMB44M) under agreement.
- Growing commodities trading desk – now includes fertiliser and chemicals.

Lithium Project in Greenbushes

- CMC 40% interest under Framework Agreement in funded lithium exploration project
- Tenement considered prospective for pegmatite-hosted lithium and tantalum deposits, being situated in the same geological terrain near to world's largest spodumene mine
- Tenements were selected by CMC for their close proximity to Greenbushes mine & the limited historical exploration for lithium over the application area
- Framework Agreement with Shanghai Min Heng Science & Technology Development Company Limited ("SMH"), which is associated with a diversified lithium concentrate producer and processor with previous experience in Greenbushes WA
- CMC have received RMB 1M (~\$200k) deposit
- SMH quickly progressing completion of formal agreements to inject balance of RMB 5.25M (~\$1M).
- CMC have satisfied all terms of the Framework Agreement.
- SMH to provide technical expertise in lithium exploration and processing.
- SMH team arrived 29/11 into Perth to meet with Executive Director Liang Xinping and Damien Kelly to finalise exploration plans.

Rights Issue of Shares and Listed Options

- 1:2.4378 Rights offer at 2.5 cents competed 23 November 2016
- Rights issue raises over \$2M (pre costs) – over-subscribed
- Underwriters of Rights offer include Messrs Wu, Ma, Wang Fengjin and Wang Yuping (over \$800K) through CMC's Chinese network
- General working capital raised to build capacity including completion of strategic assets acquisition

For personal use only

Fengyan Investment and Co-operation

- Investment and co-operation agreements with Shanxi Pingyao Fengyan Coal & Coke Group Company Limited (“Fengyan”)
- Fengyan is a large, Pingyao-based conglomerate – owns 12.8% of CMC
- Participated in November 2016 rights issue to \$250K.
- Total assets ~A\$1bn and diverse operations including ferronickel, coal mining/coking, power generation, other industrial products, hotels and real estate development
- Co-operative use of plants, infrastructure, manpower, resources, innovation and output adding long term benefit
- Taking mutual advantage of compelling synergies, savings, product expansion, trading and potential downstream processing

Pingyao – Diversified Market Offering

- Located in Shanxi Province of Northern China
- 20,000 tpa magnesium production nameplate capacity
- Semi coking capacity – with tar oil yields far higher than previous coal-to-gas units
- 22.4t SSC coal = 14t semi coke (product) = 1.4t tar oil (by product) = 1t Mg (product)*
- Previously 5t thermal coal = 0.125t tar oil (product) = 1t Mg (product)*
- Semi coke and tar oil production could be a stand-alone business in its own right, without using waste gases - only one demonstration of the value-adding opportunities
- Expanded business license and environmental permissions now in place to allow production of semi coke, bricks and calcium metal at the existing site - Significant milestone as such permissions are difficult and very time consuming

* Approximate/typical figures

Fine Chemicals / Fertiliser Agreement

- Conditional Agreement with Taiyuan Hailifeng Science & Technology Co. Ltd (“Hailifeng”) for CMC to lease existing plant and production over 2 plants in Taiyuan for 20 years
- CMC also acquires access to a number of Hailifeng patents and technical resources
- Hailifeng to provide working capital required for existing and forward production
- CMC intent to enter into lease back on identical terms to Hailifeng for production and research and development of a mix of chemical and fertiliser products
- Due diligence progressing on second plant.
- Agreement allows CMC to diversify trading desk offering

For personal use only

FMW Agreement Termination

- Termination of 60% interest in the total FMW turnover/profit/loss effective June 2016
- Agreement allows Fengyan to progress into ferro-nickel market, which CMC did not consider a long term strategic fit
- Under termination agreement Fengyan acquire CMC 60% interest including operating loss of RMB 44M from February 2015 to June 2016
- Fengyan reaffirm December 2013 Investment and Co-Operation Agreement including offtake agreement for semi-coke and tar oil production from CMC & to continue close relationship

Pingyao Operations – Current State

- Magnesium and magnesium alloy production to recommence in early 2017
- Improvement in magnesium prices warranting recommencement of production
- World market for magnesium expected to remain solid for medium term.
- Production of value-added magnesium and other products will also be sought as CMC builds its distribution relationships and branding
- Tar oil yield from semi coke production is much higher than from the coal-to-gas units
- Ability to produce retorts in-house using ferronickel from Fengyan rather than the current (more expensive) practice of leasing the retorts
- New loading and discharging machine to significantly reduce labour costs compared with manual loading and unloading of retorts - developed by CMC and Fengyan
- Using vertical kilns located at FMW to calcinate dolomite for magnesium production. We are utilising waste gas from their blast furnace to reduce energy costs.
- Cost effective and environmentally responsible production using semi-coke cracker waste gas rather than coal-to-gas driving long term benefit

Future Expansion Capabilities Already Secured



- Key environmental permits in place to expand production to 105,000tpa magnesium
- Water rights secured to enable expansion to 105,000tpa magnesium
- 90mu (~60,000m²) of land secured, earmarked for either next expansion phase or to capitalise on other horizontal or vertical synergies such as downstream processing of our products
- Additional 29mu (~20,000m²) of land just secured next to CMC's original 5,000tpa nameplate capacity plant will also free up land within the existing plant for expansion.
- Expansion of semi coke, tar oil, calcium metal and brick production occurring concurrently with magnesium expansion

For personal use only

Growing International Trading Desk

- Initially established to assist international brand-building and presence for CMC's magnesium production
- Successfully trading low ash metallurgical coke.
- Targeting future expansion and vertical integration into other value-adding opportunities such as carbon black, coal, and other industrial products
- Developing additional profitable trading in markets including fertiliser and chemical

For personal use only

Buy Back

- CMC's operations now becoming more established
- On-market share buy back of up to 10% of CMC's issued shares refreshed for 2016/7
- Capital management program to maximise shareholder value and returns
- No guarantee that any shares will be bought back but having the buy back program available may provide opportunities to add value to the remaining shares on issue

For personal use only

Summary – Well Placed for Growth

- ✓ CMC well placed for growth with flexible and efficient production capacity
- ✓ Improved market conditions for magnesium expected to continue
- ✓ Greenbushes lithium/tantalum exploration project progressing quickly
- ✓ Over-subscribed rights issue providing working capital flexibility
- ✓ Trading desk continuing to expand range of activities
- ✓ Company-transforming developments and achievements since last AGM
- ✓ Semi-coke, tar oil and magnesium production re-commenced late 2016/early 2017
- ✓ FY2016/7 expected to be both a challenging and rewarding year for CMC
- ✓ CMC remains focussed to become a large, low cost, integrated producer of magnesium, semi coke, tar oil and other industrial products

Magnesium – 21st Century Structural Metal

- Stronger and lighter structural metal
- 33% lighter than aluminium and 75% lighter than steel
- Used in Mg alloy die casting (auto/aircraft & electronics) for its light weight
- Also used for producing aluminium alloys, steel and titanium
- Roskill estimates global magnesium consumption of just under 1.1Mt in 2012
- World production of primary magnesium is estimated by Roskill to have increased at an compound annual growth rate (CAGR) of 6.1% from 2002-2012, despite a massive drop in 2008 and 2009 after the global financial crisis
- Strong growth expected in the automotive sector
- Chinese government's 12th 5 year plan targets magnesium as a key metal