



NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Members of China Magnesium Corporation Limited (the "Company") will be held at Park Regis North Quay, 293 North Quay, Brisbane, Queensland at 10am (Queensland time) on Wednesday 28 November 2018.

ORDINARY BUSINESS

Financial statements and reports

To receive and consider the Company's financial report, the directors' report and the auditor's report for the year ended 30 June 2018.

Resolution 1: Re-election of Mr William Bass

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Mr William Bass, a director who retires in accordance with Listing Rule 14.4 and the Company's Constitution, being eligible and having offered himself for re-election, be re-elected as a director of the Company."

Resolution 2: Remuneration Report

To consider and, if thought fit, pass the following Advisory Resolution:

"That the section of the directors' report contained in the 2018 Annual Report dealing with the remuneration of the Company's Directors and Senior Executives ('Remuneration Report') be adopted."

Under Section 250R(3) of the Corporations Act, this resolution is advisory only and does not bind the Directors of the Company.

Resolution 3: Ratification of share issue

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That for the purpose of Listing Rule 7.4 and for all other purposes, members ratify the previous issue of 35,190,913 fully paid ordinary shares at \$0.02 in a placement to wholesale (institutional and sophisticated) investors on 22 June 2018".

SPECIAL BUSINESS

Resolution 4: Additional 10% capacity to issue securities

To consider and, if thought fit, pass the following resolution as a special resolution:

"That for the purpose of Listing Rule 7.1A and for all other purposes, members approve additional capacity for the Company to issue equity securities up to 10% of the issued capital of the Company (at the time of the issue) on the terms contained in the Explanatory Memorandum."

A special resolution requires a 75% majority to be passed

GENERAL BUSINESS

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

BY ORDER OF THE BOARD

William Bass

Director

15 October 2018

Entitlement to Vote

Under regulation 7.11.37 of the *Corporations Regulations 2001*, the Directors have determined that the shareholding of each member for the purposes of ascertaining their voting entitlements at the Annual General Meeting will be as it appears in the Company's register of members at 6.00pm (Queensland time) on Monday 26 November 2018.

Proxies

In accordance with Section 249L of the *Corporations Act 2001*, Shareholders are advised that:

- each Shareholder who is entitled to attend and cast a vote at the meeting has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company;
- a Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, then in accordance with Section 249X(3) of the *Corporations Act*, each proxy may exercise half of the votes. Fractions are disregarded;
- If you wish to appoint a proxy and are entitled to do so, please complete and return the attached proxy form;
- A corporation may elect to appoint a representative rather than a proxy, in accordance with the *Corporations Act*. In this case, the Company will require written proof of the representative's appointment, which must be lodged with, or presented to, the Company prior to the meeting.

The instrument appointing the proxy must be received by the Company at Level 10, 12-14 Marine Parade, Southport QLD Australia 4215, at least 48 hours before the time notified for the Meeting.

Voting exclusion statements

Resolution 2 – A vote must not be cast (in any capacity) on resolution 2 by or on behalf of a member of the China Magnesium Corporation's Group key management personnel ("KMP"), details of whose remuneration is included in the Remuneration Report, or their closely related parties, whether as a shareholder or as a proxy. However a vote may be cast on resolution 2 by a KMP, or a closely related party of a KMP, if:

- It is cast as a proxy for a person who is entitled to vote, and who has specified in writing how the proxy is to vote on resolution 2; or
- It is cast by the Chairman as a proxy for a person who is entitled to vote and the appointment expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of KMP; and
- The vote is not cast on behalf of a KMP or a closely related party of a KMP.

Resolution 3 – The Company will disregard any votes by any person who participated in the issue and any of their associates.

However the Company need not disregard a vote if:

- It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

Resolution 4 – The Company will disregard any votes by any person who may participate in the issue of securities under the additional 10% capacity to issue securities, and any of their associates.

However the Company need not disregard a vote if:

- It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

EXPLANATORY STATEMENT

This Explanatory Statement is provided to shareholders of **CHINA MAGNESIUM CORPORATION LIMITED ACN 125 236 731 (Company or CMC)** to explain the resolutions to be put to Shareholders at the Annual General Meeting to be held at Park Regis North Quay, 293 North Quay, Brisbane, Queensland at 10am (Queensland time) on Wednesday 28 November 2018.

The Directors recommend shareholders read the accompanying Notice of Annual General Meeting (**Notice**) and this Explanatory Statement in full before making any decision in relation to the resolutions.

The Notice of Meeting sets out the details of the matters to be put to Shareholders comprising the following:

Ordinary Business

- Financial statements and reports
- Resolution 1 - Re-election of Mr William Bass as a Director;
- Resolution 2 - Remuneration Report
- Resolution 3 – Ratification of share issue

Special Business

- Resolution 4 –Additional 10% capacity to issue securities

Specific comments relating to the Resolutions are set out below.

Financial statements and reports

The *Corporations Act 2001* requires the Company's financial report, the directors' report and the auditor's report to be tabled at the Annual General Meeting of the Company. In addition, the Company's Constitution provides for such reports and statements to be received and considered at the meeting.

Apart from the matters involving remuneration of directors which are required to be voted upon, neither the *Corporations Act* nor the Company's Constitution requires a vote of members at the Annual General Meeting on such reports. However, members are given the opportunity to raise questions with respect to these reports and statements at the meeting.

The financial report, directors' report and the auditor's report may be found in the annual report for the Company, which has previously been sent to members who requested a copy and is also available on the Company's website www.chinamagnesiumcorporation.com.

Members may submit a written question to the auditor no less than 5 days prior to the Annual General Meeting which relates to the content of the auditor's report or to the conduct of the audit in relation to the financial report to be considered at the meeting.

The auditor will be attending the Annual General Meeting and will answer written questions submitted prior to the meeting.

Resolution 1 – Re-election of Mr William Bass as a Director

Mr William Bass retires in accordance with Listing Rule 14.4 and the Company's Constitution and, being eligible, offers himself for re-election.

Mr Bass has been an independent non-executive director since 15 February 2010 and Chair since 10 March 2010. He has considerable corporate and listed company experience. Mr Bass brings extensive commercial and financial management experience from a range of leading Australian and international public companies including General Electric, Billabong, 1300SMILES, Country Road and On Card International.

The Directors recommend that you vote in favour of the re-election of Mr Bass

Resolution 2 – Remuneration Report

Section 250R of the *Corporations Act 2001* requires that the section of the directors' report dealing with the remuneration of directors, the company secretary and up to five senior executives be put to the members for adoption by way of a non-binding vote.

The vote of the members is advisory only and does not bind the Directors of the Company.

The remuneration report may be found in the 2018 annual financial report which has been sent to members who have requested a copy and the report is also available on the Company's website www.chinamagnesiumcorporation.com

Following consideration of the Remuneration Report, members will be given a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

The directors believe that the Company's remuneration policies and structures are appropriate relative to the size of the Company and its business.

The directors recommend that you vote in favour of this resolution

Resolution 3 – Ratification of share issue

The Company issued 35,190,913 fully paid ordinary shares at \$0.02 in a placement to institutional and sophisticated investors on 22 June 2018. The shares rank equally in all respects with the existing ordinary shares on issue. The funds raised will be used for working capital.

The Company will disregard any votes by any person who participated in the issue and any of their associates.

If members ratify this previous issue of shares under Listing Rule 7.4, the issue will be treated as having been approved by members under Listing Rule 7.1.

The directors recommend that you vote in favour of this resolution

Resolution 4 - Additional 10% capacity to issue securities

Listing Rule 7.1 allows Eligible Companies to seek shareholder approval to allow the Company, for a period of up to one year from date of approval, to issue up to 10% of its issued capital (at the time of the issue) as determined in accordance with the Listing Rules. This is in addition to the 15% capacity under Listing rule 7.1.

Eligible Companies for such approval are those outside the ASX S&P 300 with a market capitalisation less than \$300million. The Company is eligible and seeks approval under this Special Resolution.

The amendment to the rules was designed to facilitate the raising of capital by smaller companies and the directors believe the additional flexibility for raising capital is appropriate for the Company at this stage of its development.

The following information is provided in relation to the resolution as required by the Listing Rules:

If the resolution is passed, the approval is for a period commencing on the date of approval and expiring on the first to occur of the following.

- (a) The date that is 12 months after the date of the annual general meeting at which the approval is obtained.
- (b) The date of the approval by ordinary shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of a main undertaking).

Any securities issued under this approval must be in an existing quoted class of the Company's securities and the issue price of each such security must be no less than 75% of the volume weighted average price for securities in that class calculated over the 15 trading days on which trades in that class were recorded immediately before:

- (a) the date on which the price at which the securities are to be issued is agreed; or
- (b) if the securities are not issued within 5 trading days of the date in paragraph (a), the date on which the securities are issued.

The Company has only one class of securities at the date of this notice, being 314,897,490 fully paid ordinary shares.

If approval is given under this resolution there is additional risk of economic and voting dilution of existing shareholders that may result from an issue under the approval, including the risk that:

- (a) the market price for securities in that class may be significantly lower on the issue date than on the date of the approval of the resolution: and
- (b) the securities may be issued at a price that is at a discount to the market price for those securities on the issue date.

The following table shows the impact of the maximum issue allowable under this additional 10% capacity, in various scenarios. The table shows examples for three levels of increase in the number of securities on issue and three examples of movements in the issue price.

Shares issued and amount raised assuming the maximum issue of 10% under this capacity, based on the three examples of issue prices

Assume shares on issue have changed prior to an issue under this approval by:	Dilution	50% decrease in issue price \$0.013	No change in issue price \$0.026	50% increase in issue price \$0.039
+15% to 362,131,589	Voting dilution 10%	36,213,159	36,213,159	36,213,159
	Funds raised	\$470,771	\$941,542	\$1,412,313
+50% to 472,345,551	Voting dilution 10%	47,234,555	47,234,555	47,234,555
	Funds raised	\$614,049	\$1,228,098	\$1,842,148
+100% to 629,794,068	Voting dilution 10%	62,979,407	62,979,407	62,979,407
	Funds raised	\$818,732	\$1,637,456	\$2,456,197

Shares on issue at the time of this notice: 314,897,034

Closing share price at 15 October 2018: \$0.026

If this resolution is passed, securities may be issued under this approval for purposes determined by the directors, including Acquisitions, Working capital & Repayment of debt

The Company may issue the securities for non-cash consideration where appropriate, for example as part of the consideration for acquisitions.

The Company's allocation policy in respect of any issue under this approval will depend on the method of raising funds, prevailing market conditions, investor demand and the effect of the issue on control of the Company. Advice from corporate advisors may also be sought. Individual allottees of securities will be determined on a case-by-case basis having regard to these factors and may include existing and/or new shareholders. In the case of a non-cash issue of securities the allottee would be the vendor of the asset or service received.

A voting exclusion statement is included in the Notice of Meeting, however at the date of the Notice, the Company has not sought funding from any investor or group of investors in respect of placements under this proposed 10% capacity. Consequently the exclusion statement will not result in any existing shareholder being unable to vote on the resolution.

This is a special resolution, which requires a 75% majority to be passed.

The directors recommend that you vote in favour of this resolution.

END OF EXPLANATORY STATEMENT

