



China Magnesium Corporation Limited

(ABN 14 125 236 731)

ASX Code: **CMC**

PROSPECTUS

For a pro rata non-renounceable rights issue of fully paid ordinary shares at \$0.05 each offered on the basis of one (1) new share for every two (2) shares held at the Record Date, together with one free unlisted option (exercisable at \$0.10 on or before 15 February 2019) for every one (1) new share offered, raising up to approximately \$7,872,425 (before expenses of the Offer).

INDICATIVE TIMETABLE*

Date of this prospectus (and lodgement with ASIC)	18 October 2018
"Ex" date	24 October 2018
Record Date	25 October 2018
Closing date for acceptances (7:00pm EST)	12 November 2018
Issue date	19 November 2018

* Subject to the Timetable Proviso described in section 5.2 of this prospectus.

IMPORTANT INFORMATION

Definitions & interpretation – Definitions (usually with the first letter capitalised) appear both throughout the body of this prospectus (refer bolded terms) as well as in section 0.

Speculative investment, read the whole prospectus & take advice – An investment in the Shares (and Options) should be considered speculative and involves inherent risks. It is important that you read the whole of this prospectus. The Company recommends you consult with your professional advisors before deciding whether or not to apply for Shares (and free Options).

Distribution of complete and unaltered copy of this prospectus – If you provide a copy of this prospectus to another person you should only do so if you ensure that it is in complete and unaltered form failing which you may be guilty of a criminal offence.

Jurisdiction of Offer – If you are an Overseas Applicant or if this prospectus has been or is intended to be provided, dispatched to, or accessed electronically outside Australia, please refer to section 5.4. No action has been taken by the Company to ensure the offer of Shares and Options under this offer document is compliant in any jurisdiction other than Australia.

For personal use only

1. DETAILS OF THE OFFER

1.1 Amount to be raised

This prospectus is for the non-renounceable offer (“Offer”) of new Shares (and free Options), at an issue price of \$0.05 per Share, pursuant to a pro rata non-renounceable rights issue (including any shortfall) on the basis of one (1) new Share for every two (2) Shares held at the Record Date, together with one free Option for every one (1) Share issued. As at the date of this prospectus and assuming no additional Shares are issued before the Record Date, up to approximately 157,448,517 new Shares and 157,448,517 new Options may be issued pursuant to the Offer, raising up to approximately \$7,872,425 (before the expenses of the Offer).

If any Entitlements are not taken up the Shares and Options comprising the shortfall (“Shortfall”) may be placed by the Directors in their absolute discretion and such placement will form part of the Offer.

1.2 Stock exchange listing

The Company has or will, within 7 days after the date of this prospectus, apply for the Shares issued pursuant to the Offer to be quoted on ASX. The Company does not intend to apply for the Options to be quoted.

1.3 No minimum subscription

There is no minimum amount that must be raised or minimum number of new Shares and Options which must be applied for pursuant to the Offer before new Shares and Options will be issued.

1.4 Acting on your Entitlement and applying for the Shortfall

Your Entitlement is indicated on the *Entitlement and Acceptance Form* accompanying this prospectus. As a holder of Shares at the Record Date, you may participate in the Offer as follows:

- a) accept your Entitlement in whole or in part by:
 - i) completing the *Entitlement and Acceptance Form* and forwarding the completed form, together with payment for the amount due in respect of Shares applied for; or
 - ii) pay the amount due in respect of new Shares applied for, calculated at \$0.05 per new Share, by BPAY®, in accordance with the instructions set out on the *Entitlement and Acceptance Form* (unless alternative arrangements are made and agreed to by the Company) **so that it is received by the Company’s Share Registrars no later than the Closing Date (note that your financial institution may have cut off times for the processing of BPAY payments);** and
- b) if you wish to apply for the Shortfall, and provided you are accepting your Entitlement in full, complete the section of the *Entitlement and Acceptance Form* entitled “Additional New Shares” and follow the instructions for (a)(i) & (ii) above, also in accordance with the instructions set out on the *Entitlement and Acceptance Form*; or
- c) do nothing, in which case you will receive no benefit from your Entitlement and your percentage holding in the company will be diluted by the Offer.

1.5 Application monies

Application monies will be held in trust in a separate bank account on behalf of applicants until the Shares and Options offered under this prospectus are issued. If your application is rejected in whole or in part, the amount tendered in respect of Shares and Options that are not issued pursuant to your application will be repaid to you, without interest.

1.6 Issue of Shares and Options

Subject to applicable laws and the Listing Rules, the Company will, in its absolute discretion, accept and/or reject any application in whole or in part.

The banking of application monies does not constitute either processing or acceptance of your application. If your application is accepted, in whole or in part, the Company will issue Shares and Options (to the extent accepted) pursuant to your application and dispatch either an issuer sponsored holding statement or a CHESS statement (together with any excess application monies) to you as soon as practicable after the Closing Date (required under the Listing Rules to be within 5 business days of the Closing Date unless ASX agrees otherwise). It is your responsibility to ascertain your allocation (if any).

1.7 Underwriting

The Offer is not underwritten.

2. PURPOSE AND EFFECT OF OFFER

2.1 Purpose of the Offer

The primary purpose of the Offer is to (and the funds raised from the Offer are intended to be used to) provide the Company with additional general working capital and flexibility to further its Australian and Chinese operations and, if thought fit, to put it in a stronger position to build capacity and acquire assets in industries which leverage the Company's strengths and advantages.

This is likely to include expenditure on or related to:

- the Company's corporate expenses in Australia and China; and
- other general working capital, including for example, working capital for the Company's magnesium-lithium plant in China.

The Company does not consider there to be any materially adverse consequences if the Offer is not fully subscribed, other than not increasing cash reserves by the amount of the Shortfall, potentially resulting in less actively pursuing growth of the existing business and the forsaking of additional business opportunities which leverage the Company's strengths and advantages.

2.2 Effect on financial position

Assuming that the Offer is fully subscribed, and no further Shares are issued prior to the Record Date, the Company's cash reserves, contributed equity, total assets and net assets will increase by approximately \$7,822,425, which is the amount that would be raised pursuant to the Offer (approximately \$7,872,425) less the estimated expenses of the Offer (approximately \$50,000). If the Offer is not fully subscribed, the aforementioned effect on the Company's cash reserves, contributed equity, total assets and net assets will be reduced by the amount of the shortfall.

2.2.1. Pro forma statement of financial position

The Company's latest audited, consolidated balance sheet (as at 30 June 2018) is set out on page 14 of its 2018 Annual Report. The following pro forma statement of financial position assumes that the Offer is fully subscribed and reflects the effect on financial position described above.

	Historical as at 30 June 2018 (\$)	Pro forma as at 30 June 2018 (\$)
Current Assets		
Cash and cash equivalents	1,043,615	8,866,040
Trade and other receivables	954,319	954,319
Inventories	80,267	80,267
Other	-	-
Total Current Assets	2,078,201	9,900,626
Non-Current Assets		
Other	2,607,120	2,607,120
Property, plant and equipment	14,697,503	14,697,503
Right of use assets	144,596	144,596
Investment accounted for using equity method	645,251	645,251
Total Non-Current Assets	18,094,470	18,094,470
TOTAL ASSETS	20,172,671	27,995,096
Current Liabilities		
Trade and other payables	1,638,901	1,638,901
Lease liabilities	61,050	61,050
Employee benefits	17,248	17,248
Total Current Liabilities	1,717,199	1,717,199
Non-Current Liabilities		
Trade and other payables	6,775,395	6,775,395
Lease liabilities	96,971	96,971
Borrowings	1,555,528	1,555,528
Total Non-Current Liabilities	8,427,894	8,427,894
TOTAL LIABILITIES	10,145,093	10,145,093
NET ASSETS	10,027,578	17,850,003
Equity		
Contributed equity	23,892,855	31,715,280
Reserves	3,447,917	3,447,917
Accumulated losses	(17,007,486)	(17,007,486)
Total equity attributable to owners of the parent	10,333,286	18,155,711
Non-controlling interest	(305,708)	(305,708)
TOTAL EQUITY	10,027,578	17,850,003

2.3 Effect on capital structure

The capital structure of the Company following Completion of the Offer (assuming the Offer is fully subscribed) is summarised below.¹

Shares	Number
Shares on issue at the date of this prospectus	314,897,034
Shares to be issued pursuant to the Offer ²	157,448,517
Shares on issue upon Completion of the Offer¹	472,345,551
Options	Number
Options on issue at the date of this prospectus	-
Options to be issued pursuant to the Offer ²	157,448,517
Options on issue upon Completion of the Offer¹	157,448,517

¹ If the Offer is not fully subscribed, the Shares and Options on issue following Completion of the Offer will be reduced by the under subscribed amount.

² Approximated assuming 314,897,034 Shares are on issue as at the Record Date. The actual number of Shares and Options to be issued may be greater or less than this amount.

2.4 Effect on control

If all Shareholders take up their Entitlements in full, the Offer is not expected to have a material effect on the control of the Company.

If some Eligible Shareholders do not take up or are not issued their full Entitlements under the Rights Issue, then their percentage shareholding in the Company will be diluted by new Shares issued under the Offer. For example, if the Offer is fully subscribed and a Shareholder with approximately 1% of the Company Pre-Offer does not take up any of their Entitlements then their Shareholding in the Company will reduce to approximately 0.67%. This would be further reduced to 50% if the free attaching Options were also exercised.

Should no Eligible Shareholders take up any of their Entitlements, the Directors will (as stated in section 1.1) be entitled to place the Shortfall in their absolute discretion, which could – subject to any limitations set out in the Corporations Act – be issued to as few as one person if the Directors' so determined. This could immediately give that person (or those persons as the case may be) a minimum 33% relevant interest in the Company's Shares, and possibly a 50% interest if the free attaching Options are exercised. As the Company is listed, any potential acquisition of Shares will be subject to the prohibitions set out in section 606 of the Corporations Act. Therefore, unless the Shares are placed pursuant to one of the exceptions set out in section 611 (such as approval by resolution of Shareholders or '3% creep in 6 months'), the Company will not be entitled to place the Shortfall to any person if it would cause that person's or someone else's voting power in the Company to increase from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%.

3. INTERESTS, FEES AND BENEFITS

Other than as set out below or as is disclosed elsewhere in this prospectus, no: (a) director of the Company; or (b) person named in this prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation and distribution of this prospectus; or (c) promoter of the Company; or (d) underwriter to, or Australian financial services licensee named in this prospectus as an Australian financial services licensee involved in, the offer of securities under this prospectus; has or had within 2 years before lodgement of this prospectus with ASIC any interest in: (i) the formation or promotion of the Company; or (ii) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the offer of securities under this prospectus; or (iii) the offer of securities under this prospectus; and no amounts have been paid or agreed to be paid and no amounts have been given or agreed to be given to any of those persons as an inducement to become or to qualify as a director of the Company or for services rendered in connection with the formation or promotion of the Company or the offer of securities under this prospectus.

3.1 Directors holdings

As at the date of this prospectus the relevant interests of each Director in the securities of the Company were as follows:¹

Director	Shares	Options
Mr Blackhurst	46,379,404	-
Mr Liang	34,435,730	-
Mr Bass	2,431,414	-
Mr Robertson	4,863,124	-

1. The table shows those securities held directly and indirectly. It does not include the relevant interests in any securities the Director may acquire pursuant to the Offer.

3.2 Director fees and benefits

The Directors are currently (and have been, over the two years prior to the date of this prospectus) remunerated at annual rates of \$500,000 for Mr Blackhurst, \$470,000 for Mr Liang, \$140,000 for Mr Bass and \$52,500 for Mr Robertson (for their services as managing director, executive director, non-executive chairman and non-executive director respectively).

More detailed information regarding Directors' remuneration is set out in the Company's 2018 Annual Report (refer to section 5.3 of this prospectus).

4. CONSTITUTION AND TERMS OF SECURITIES

4.1 Constitution and rights attaching to Shares

All Shares to be issued pursuant to this prospectus will be issued as fully paid ordinary shares in the capital of the Company. Further details of the rights and obligations attaching to Shares are set out in the Company's Constitution.

The Constitution has been lodged with ASIC and is deemed to be incorporated by reference into this prospectus in accordance with section 712 of the Corporations Act. A copy of the Constitution can be obtained from the Company's website (www.chinamagnesiumcorporation.com/uploads/company/04112010%20Constitution.pdf) or its registered office at no cost, or from ASIC.

A constitution has the effect of a contract between the Company and each member, between the Company and each Director and company secretary, and between a member and each other member under which each of those persons agrees to observe and perform the provisions of the constitution as far as those provisions apply to that person. A company's constitution can only be altered by a special resolution (being a resolution passed by at least 75% of the votes cast by members entitled to vote on the resolution).

The Constitution deals with such matters as the rights conferred and obligations imposed by shares, issues of shares, transfer of shares, alterations of share capital, share buy-backs, disposal of small shareholdings (being parcels of shareholdings with a market value less than that an amount prescribed under the Listing Rules - \$500 as at the date of this prospectus), variation of class rights, meetings of shareholders, voting, polls, appointment and removal of Directors, remuneration of Directors, dividends, winding up and the Listing Rules.

4.2 Rights attaching to Options

Following are the material terms of the Options:

- a) Definitions:
 - (i) **Expiry Date** means 5.00pm on 15 February 2019 in the time zone of the Company's share registrar in Australia.
 - (ii) **Exercise Notice** means the form of written and/or electronic notice prescribed by the Company from time to time for the purpose of exercising the options.
- b) Each option carries the right to subscribe for one Share at an exercise price of \$0.10 each.
- c) Options may be exercised by delivering to the Company's share registry (or such other place agreed with the Company at the time) an Exercise Notice at any time prior to the Expiry Date.
- d) The Exercise Notice must (unless the Company otherwise agrees) be completed and delivered in the form and manner prescribed by the Company and be accompanied by the relevant payment (in Australian currency).
- e) A notice may, without limitation, be given by the Company to any Option holder in the same manner as a notice may be given by the Company to any Shareholder.
- f) Following receipt of a properly executed Exercise Notice and monies in respect of the exercise of the options, the Company will issue the resultant Shares and deliver notification of shareholdings in accordance with the limits set out in ASX Listing Rules or, if no such limits apply, within one month of receiving the Exercise Notice.
- g) The Company will, in accordance with ASX Listing Rules but in any case, within 7 days of the date of issue, make application to have the Shares (issued pursuant to an exercise of options) listed for quotation by ASX.
- h) Shares issued pursuant to an exercise of options shall rank, from the date of issue, *pari passu* with existing Shares in all respects.
- i) Options carry no right to participate in new issues of securities unless the options are exercised before the record date for determining entitlements to the relevant issue.
- j) Each Option holder will be notified by the Company, in accordance with ASX Listing Rules but in any case, not less than 3 business days before the relevant record date, of any proposed pro rata issue of securities to shareholders.
- k) Subject to any requirements of the Corporations Act and ASX Listing Rules, the options do not confer the right to a change in exercise price or the number of shares over which the Option can be exercised.
- l) In the event of a reorganisation (including reconstruction, consolidation, subdivision, reduction, or return) of the capital of the Company, the terms of the options will be changed to the extent necessary to comply with the requirements of the ASX Listing Rules (in force at the time of the reorganisation).

5. ADDITIONAL INFORMATION AND DISCLAIMERS

5.1 Transaction specific prospectus

This prospectus has been prepared in accordance with the special content rules for continuously quoted securities in section 713 of the Corporations Act, which sets out an alternative general disclosure test for an offer of continuously quoted securities or options to acquire such securities. The alternative disclosure test allows the issue of a prospectus with a specified limited content (compared to a “full disclosure” prospectus), commonly referred to as a “transaction-specific” prospectus. To qualify as “continuously quoted securities” the securities must, amongst other matters, be securities of a “disclosing entity” for the purposes of the Corporations Act. In preparing this prospectus, regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and their professional advisers.

5.2 Timetable Proviso

Other than the date of this prospectus and any historical dates or time periods prior to the date of this prospectus, the date(s) mentioned in this prospectus is(are) indicative only. Further, notwithstanding any provision of this prospectus and to the fullest extent permitted by law and the Listing Rules, the Company may, from time to time and without giving any notice, abridge or further abridge, extend or further extend any period or vary or further vary any date or time period referred to in this prospectus to such earlier or later date or for such period as the Directors thinks fit whether or not the date to be varied has passed or the period to be extended has expired.

5.3 Document available for inspection

As a “disclosing entity”, the Company is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Company may be obtained from or inspected at an office of ASIC.

Any person has the right to obtain a copy of the following documents and the Company will provide a copy of each of the following documents, free of charge, to any person who asks for it during the application period for this prospectus:

- the annual financial report of the Company for the year ended 30 June 2018 (part of the 2018 Annual Report); and
- all documents used to notify ASX of the information relating to the Company under the Listing Rules since the lodgement of the financial report referred to in (a) above. Prior to the date of this prospectus, the only such documents were:

Date	Description
15 Oct 2018	Notice of Annual General Meeting/Proxy Form

5.4 Overseas Applicants and distribution

This prospectus does not constitute an offer or invitation:

- in any jurisdiction where, or to any person to whom, it would be unlawful to issue this prospectus; or
- to any person to whom, it would not be lawful to make such an offer or invitation.

Where this prospectus is received or accessed in any such jurisdiction or by any such person, it is provided for information purposes only. No action has been taken to register or qualify the Shares, Options, or the Offer, or otherwise to permit the public offering of the Shares or Options, in any jurisdiction outside Australia.

The distribution of this prospectus within jurisdictions outside Australia may be restricted by law and persons into whose possession this prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. It is the responsibility of any Overseas Applicant to ensure compliance with all laws of any country relevant to his or her application, or country of receipt of this prospectus, and to obtain all necessary approvals so that they may legally subscribe for (and be issued) securities pursuant to the Offer.

In making an application you represent and warrant for the Company’s and the Underwriters’ benefit and for the benefit of the Company’s and Underwriter’s officers, employees, agents and advisers (and, to the maximum extent permitted by law, indemnify the Company, the Underwriter, and the Company’s and Underwriter’s officers, employees, agents and advisers for any loss or damage caused if such representation or warranty proves to be inaccurate) that there has been no breach of any law by reason of that application being made, that all necessary approvals and consents to the making of that application have been obtained and that the Company may legally offer and issue securities to the applicant pursuant to this prospectus. Overseas Applicants must consult with their professional advisors as to whether any formalities need to be observed (either by themselves or the Company) to enable them to subscribe for the securities being offered pursuant to this prospectus.

Specifically, in New Zealand, the Shares and Options are not being offered or sold to the public other than to existing Shareholders with registered addresses in New Zealand and to whom the Offer is being made in reliance on relevant securities legislation. This document has not been registered, filed with or approved by any New Zealand regulatory authority under the *Securities Act 1978* (New Zealand).

5.5 Privacy Act

By completing an application form accompanying this offer document, you will be providing personal information to the Company (and its Share Registrar). The *Privacy Act 1988* (Cth) governs the use of your personal information and sets out principles governing the ways in which organisations should treat that information. The personal information to be collected on an application form accompanying this prospectus will be used to evaluate applications for Shares and Options and, if your application is successful, to administer your security holdings, provide services to you and otherwise effect appropriate administration for security holders. If the Company is obliged to do so by law, personal information will also be passed on to other parties.

In making an application, you agree that the Company may use the information provided on your application form for the purposes here disclosed and may disclose it for those purposes to the Underwriters, the Company's share registrar, related bodies corporate, agents, contractors, employees, servants, and third party service providers, including without limitation, mailing houses, professional advisers, ASX, other Shareholders and regulatory authorities.

The Corporations Act requires the Company to include information about security holders (including name, address and details of securities held) in its public register. The information contained in the Company's public register must remain there even if that person ceases to be a security holder. Information contained in the Company's public register is also used to facilitate distribution payments and corporate communications (including financial results, annual reports and other information that the Company may elect to utilise to communicate with its security holders) and compliance by the Company for legal and regulatory requirements. For instance, in certain circumstances details of security holder's names and holdings must be disclosed by the Company in its annual reports.

An applicant has a right to gain access to the information that the Company holds about that person subject to certain exemptions under the law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

5.6 ASIC and ASX take no responsibility

ASIC and ASX take no responsibility for the contents of this prospectus, a copy of which has been lodged with ASIC.

5.7 Prospectus Expiry Date

No Shares or Options (or other securities) will be issued on the basis of this prospectus after its expiry date, being 13 months after the date of this prospectus.

6. DEFINITIONS

In this prospectus, unless the context otherwise requires:

“**2018 Annual Report**” means the means the Directors’ report, the annual financial report and auditors report in respect of the financial year ended 30 June 2018 (available on the Company’s website www.chinamagnesiumcorporation.com/investor-centre/annual-reports).

“**A\$**” and “**\$**” means Australian dollars, unless otherwise stated.

“**ASIC**” means Australian Securities and Investments Commission.

“**ASX**” means ASX Limited (ACN 008 624 691).

“**Closing Date**” means 8:00pm EST on 12 November 2018, subject to the Timetable Proviso.

“**Company**” or “**CMC**” means China Magnesium Corporation Limited (ABN 14 125 236 731).

“**Completion of the Offer**” means the issue of any securities offered pursuant to this prospectus.

“**Constitution**” means the constitution of the Company.

“**Corporations Act**” means the Corporations Act 2001 (Cth).

“**Director**” means a director of the Company.

“**Entitlement**” means the entitlement of an eligible holder of Shares to new Shares and Options under the Offer. Fractional entitlements will be rounded up to the nearest whole number.

“**EST**” means Eastern Standard Time, Queensland, Australia.

“**Listing Rules**” means the official listing rules of ASX, as amended or waived by ASX from time to time.

“**Overseas Applicant**” means a person applying for securities pursuant to the Offer from outside Australia or New Zealand.

“**Offer**” means the invitation to apply for Shares as described in section [1.1].

“**Option**” means option to acquire a Share (exercisable at \$0.10] each and expiring 15 February 2019) on the terms and conditions as set out in section [4.2].

“**Option holder**” means the person or persons registered as the holder of one or more Options from time to time.

“**Record Date**” means 25 October 2018, subject to the Timetable Proviso.

“**Share Registrar**” means Security Transfer Registrars Pty Limited.

“**Share**” means a fully paid ordinary share in the capital of the Company.

“**Shareholder**” means a holder of shares in the capital of the Company.

“**Shortfall**” means the shortfall described in section [1.1].

“**Timetable Proviso**” means the proviso regarding dates and time periods as described in section [5.2].
