

China Magnesium Corporation Limited

ACN: 125 236 731

Notice of General Meeting

A General Meeting of China Magnesium Corporation Limited will be held at:

- the Meeting Room @ Triple One Somerset, Level 3, 13 Triple One Somerset, 111 Somerset Road, Singapore 238164;
- 10:00 am (Singapore time/AWST) on Wednesday, 23 October 2019.

This notice of general meeting should be read in its entirety. If Shareholders are in any doubt as to how they should vote, they should seek advice from their professional advisor prior to voting.

Please contact the Company Secretary on + 61 7 3011 6335 or mmora.cmc@gmail.com if you wish to discuss any matter concerning the Meeting.

China Magnesium Corporation Limited
ACN 125 236 731

Notice of General Meeting

Notice is hereby given that a General Meeting of the Shareholders of China Magnesium Corporation Limited will be held at the Meeting Room @ Triple One Somerset, Level 3, 13 Triple One Somerset, 111 Somerset Road, Singapore 238164 on Wednesday, 23 October 2019 at 10:00 am (Singapore time/AWST) (**Meeting**).

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Meeting. The Explanatory Statement and Proxy Form form part of this Notice of Meeting.

Shareholders are urged to vote by attending the Meeting in person or by returning a completed Proxy Form. Instructions on how to complete a Proxy Form are set out in the Explanatory Statement.

Proxy Forms must be received by no later than 10:00am (Singapore time/AWST) on Monday, 21 October 2019.

Terms and abbreviations used in this Notice and Explanatory Statement are defined in Schedule 1 of the Explanatory Statement.

The business of the Meeting affects your shareholding and your vote is important. This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisors prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5:00pm (Singapore time/AWST) on Monday, 21 October 2019.

AGENDA

RESOLUTION 1 - SALE OF INTEREST IN SYMC

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

“That, for the purposes of Listing Rule 11.2, and for all other purposes, approval is given for the disposal of all of the Company's interest in SYMC, in accordance with the terms of the Sale and Purchase Agreement, a summary of which is contained in the Explanatory Statement (Sale).”

A voting exclusion statement is set out below.

RESOLUTION 2 - RATIFICATION OF PRIOR ISSUES OF SHARES UNDER TRANCHE 1 OF THE PLACEMENT

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

“That for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of up to 16,666,666 fully paid ordinary shares under Tranche 1 of the Placement and otherwise on the terms set out in the Explanatory Statement.”

A voting exclusion statement is set out below.

RESOLUTION 3 - ISSUE OF SHARES UNDER TRANCHE 2 OF THE PLACEMENT

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

“That for the purposes of Listing Rule 7.1 and for all other purposes, Shareholder approval is given for the Company to issue up to 33,333,333 fully paid ordinary shares under Tranche 2 of the Placement and otherwise on the terms set out in the Explanatory Statement.”

A voting exclusion statement is set out below.

VOTING PROHIBITION AND EXCLUSION STATEMENTS

Under Listing Rule 14.11, the Company will disregard any votes cast in favour of the Resolutions by or on behalf of the following persons and their associates:

Resolution	Persons excluded from voting
Resolution 1 - Sale of interest in SYMC	Worldcom Parkway International Trade (Tianjin) Co. Ltd., Pingyao Maoyuan Ciye Co. Ltd and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 1 is passed, and any associate of those persons.
Resolution 2 - Ratification of prior issue of Shares under Tranche 1 of the Placement	Mr Adrian Tay Kuon Yang and any associate of Mr Adrian Tay Kuon Yang.
Resolution 3 - Issue of Shares under Tranche 2 of the Placement	Persons who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity as a holder of ordinary securities, if Resolution 3 is passed, and an associate of those persons.

However, the Company needs not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form; or

- (b) it is cast by the person chairing the Meeting as proxy for the person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

By order of the Board of Directors

Mr Marcelo Mora

Company Secretary

18 September 2019

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Explanatory Statement

1 INTRODUCTION

This Explanatory Statement has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at the Meeting Room @ Triple One Somerset, Level 3, 13 Triple One Somerset, 111 Somerset Road, Singapore 238164 on Wednesday, 23 October 2019 at 10:00 am (Singapore time/AWST). The purpose of this Explanatory Statement is to provide information to Shareholders in deciding how to vote on the Resolutions set out in the Notice.

This Explanatory Statement should be read in conjunction with and forms part of the accompanying Notice, and includes the following:

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A Proxy Form is located at the end of this Explanatory Statement.

ASX takes no responsibility for the contents of the Notice or Explanatory Statement.

Any forward looking statements in this Explanatory Statement are based on the Company's current expectations about future events. They are, however, subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and its board, which could cause actual results, performance or achievements expressed or implied by forward-looking statements in this Explanatory Statement.

This Explanatory Statement does not take into account any person's investment objectives, financial situation or particular needs. If you are in any doubt about what to do in relation to the Meeting you should consult your financial or other professional advisor.

Please contact the Company Secretary on +61 7 3011 6335 or mmora.cmc@gmail.com if you wish to discuss any matter concerning the Meeting.

2 ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders should read the Notice and this Explanatory Statement carefully before deciding how to vote on the Resolutions.

2.1 Voting in person

All Shareholders are invited and encouraged to attend the Meeting.

To vote in person, attend the Meeting at the time, date and place set out in the Notice.

2.2 Voting by Proxy

If a Shareholder is unable to attend in person, they can appoint a proxy to attend on their behalf by signing and returning the Proxy Form (attached to the Notice) to the Company in accordance with the instructions on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- (a) each Shareholder has the right to appoint a proxy;
- (b) the proxy need not be a Shareholder of the Company; and
- (c) a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise half of the votes.

The Company encourages Shareholders completing a Proxy Form to direct the proxy how to vote on the Resolutions. The Chairperson of the General Meeting intends to vote undirected proxies in FAVOUR of all the Resolutions.

The Proxy Form must be received no later than 48 hours before the commencement of the Meeting, i.e. by no later than 10:00 am (Singapore time/AWST) on Monday, 21 October 2019. Any Proxy Form received after that time will not be valid for the Meeting.

Shareholders lodging a Proxy Form are not precluded from attending and voting in person at the Meeting.

2.3 Corporate representatives

Shareholders who are body corporates may appoint a person to act as their corporate representative at the Meeting by providing that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as the body corporate's representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

2.4 Eligibility to vote

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5:00pm (Singapore time/AWST) on Monday, 21 October 2019.

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

3 RESOLUTION 1 - SALE OF INTEREST IN SYMC

3.1 Introduction

As announced on 6 August 2019, the Company has entered into a sale and purchase agreement (**Sale and Purchase Agreement**) with Worldcom Parkway International Trade (Tianjin) Co. Ltd (**Worldcom Parkway or the Purchaser**) for the sale of the Company's entire interest in SYMC (**Sale**), being 91.25% of the issued shares in SYMC (**SYMC Shares**). SYMC is the Company's operating subsidiary based at Pingyao China that owns and operates the Group's magnesium plant in Pingyao, China, and is the Company's main undertaking.

Worldcom Parkway is a company incorporated in the PRC and controlled by LI Yingmin. Worldcom Parkway carries out investment business and neither it nor persons connected with it have or previously had any interest in either SYMC or its minority shareholder.

The Sale follows a review by CMC's Board into the costs and risks (regulatory and supply chain) in recommencing production at the Pingyao plant. Please refer to section 3.6 for further details.

The Sale is subject to approval by the Company's Shareholders for the purposes of Listing Rule 11.2, due diligence by the Purchaser and necessary third-party approvals, and therefore will not proceed if these conditions (including Shareholder approval) are not satisfied or (where applicable) waived.

Resolution 1 seeks Shareholder approval for the Sale on the terms set out in the Sale and Purchase Agreement, the terms of which are summarised in section 3.2.

3.2 Key terms of the Sale

A summary of the terms of the Sale and Purchase Agreement is as follows:

- (a) Consideration: the consideration for the SYMC Shares is RMB1,000,000 (approximately A\$204,918 based on the Exchange Rate).
- (b) Conditions Precedent: completion of the Sale is conditional upon the satisfaction or waiver of the following conditions precedent by 29 February 2020 (or as extended by the mutual agreement between the Company and the Purchaser):
 - (i) the Purchaser being satisfied in its absolute discretion with the results of its due diligence (legal and financial) regarding and in connection with SYMC;

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- (ii) the Company obtaining shareholder approval (in accordance with ASX Listing Rules) for the sale of the SYMC Shares in accordance with the Sale and Purchase Agreement;
 - (iii) the Company obtaining a waiver of pre-emptive rights or consent in relation to the sale of the SYMC Shares from the minority shareholder in SYMC (refer to section 3.3 for further details); and
 - (iv) all other necessary approvals, including shareholder and regulatory approvals, being obtained by the parties for the transactions.
- (c) The SYMC Shares will be sold subject only to Warranties relating to title
 - (d) CMC will do all things reasonably required to ensure that SYMC carries on business in the usual course until the completion of the Sale.

The Pingyao Plant is under care and maintenance, and CMC does not anticipate that it will need to contribute any material funds to SYMC to ensure that SYMC carries on business in the usual course until the completion of the Sale.

CMC will not be required to contribute any further funds to SYMC or any third party as part of the Sale.

The Directors procured and negotiated the Sale, and there are no corporate advisory fees or success fees (or similar) payable in relation to the Sale.

3.3 Third party consents

The Sale is subject to the Company obtaining a waiver of pre-emptive rights or consent in relation to the sale of the SYMC Shares from SYMC's minority shareholder, Pingyao Maoyuan Ciye Co. Ltd (平遥县茂源磁业有限公司) (PMC), a right that it has under PRC law (**Minority Shareholder Rights**).

Under PRC law, CMC is required to provide a notice of the sale terms (**Notice**) to PMC, who then has the right, within a reasonable period of time, to purchase the SYMC Shares, failing which it is deemed to have consented to the Sale. The Company's PRC lawyer estimates that it takes about 4-6 weeks to satisfy this requirement. In the event PMC exercises its pre-emptive rights, the Company will (assuming Shareholders pass Resolution 1) sell its SYMC Shares to PMC on the same terms as the Sale.

3.4 Approvals in PRC

The transfer of SYMC Shares from the Company to Worldcom Parkway (**Share Transfer**) will first require approval from the municipal Commerce Bureau in Jinzhong city where the Commerce Bureau will review, among other things, the legality of the Sale and Purchase Agreement and the credit profile of Worldcom Parkway (as transferee of the SYMC Shares). The Commerce Bureau has up to 30 business days from the receipt of the completed application to provide its decision.

After the Share Transfer is approved by the Commerce Bureau, the Share Transfer will also need to be registered with the Industry and Commerce Bureau of Shanxi province. The Industry and Commerce Bureau has up to 30 business days from the approval from the Commerce Bureau to complete the registration of the Share Transfer.

While the Commerce Bureau and the Industry and Commerce Bureau collectively have up to 60 business days under the relevant PRC laws to provide their decisions, in practice, it generally takes about one to two months to complete the process at both the Commerce Bureau and the Industry and Commerce Bureau. At the date of this Notice, the Board is not aware of anything that may lead either the Commerce Bureau or the Industry and Commerce Bureau to not approve the Share Transfer.

These approvals will also apply where SYMC minority shareholder, PMC, exercises its Minority Shareholder Rights to purchase the SYMC Shares.

3.5 Listing Rule 11.2

Listing Rule 11.2 provides that an entity may not dispose of its main undertaking (that is, its main asset or business) without the approval of its shareholders. The Sale constitutes the Company disposing of its main undertaking, **and requires prior Shareholder approval under Listing Rule 11.2 and therefore may not proceed if that approval is not forthcoming.**

The approval is by way of an ordinary resolution.

Worldcom Parkway is not a related party of the Company, and Shareholder approval for the Sale is not required for the purposes of Listing Rule 10.1.

PMC is not a related party of the Company, and Shareholder approval is not required for the purposes of Listing Rule 10.1 in the event that PMC exercises its Minority Shareholder Rights to purchase the SYMC Shares.

3.6 Background and reasons for sale of main undertaking

Between December 2010 and May 2012, CMC earned an initial 90.7% interest in SYMC through capital payments of RMB 51,421,168 (approximately A\$10.54 million based on the Exchange Rate) to SYMC. CMC also contributed capital of RMB3,328,832 (approximately A\$682,137 based on the Exchange Rate) to upgrade and expand the existing Pingyao plant capacity (including new coal-to-gas plant) from 5,000 to 20,000 tonnes of magnesium per year, which increased CMC's interest in SYMC to 91.25% on 21 May 2012.

Following the upgrade, between April 2011 and July 2014 the plant produced magnesium, although on a small scale due to the difficulty of securing working capital. In or about July 2014, production at Pingyao was suspended due to the inability to secure working capital.

In April 2017 the Minister of Environmental Protection issued a directive that certain manufacturing plants, including SYMC's, cease operations for environmental reasons.

On 20 September 2018, CMC announced the construction and installation of a Magnesium Lithium plant at Pingyao with a nominal capacity of 108tpa and that small-scale production of magnesium lithium (MgLi) had commenced. The production of magnesium lithium is not affected by the environmental directive as it utilizes electricity rather than coal to gas facilities.

In February 2019, Pingyao Environment Protection Bureau (PEPB) advised Pingyao plant's management on possible steps to be taken for the Pingyao plant to comply with the relevant environmental regulations in relation to coal to gas facilities, including new desulfurization and denitrification facilities and online monitoring devices. These changes were not implemented due to uncertainty of supply of calcinated dolomite, a raw material required for the production of magnesium, as a result of environmental restrictions imposed on the plant's supplier of calcinated dolomite and uncertainties on whether SYMC would be able to hire skilled workers, and the requirement for further working capital and incurring costs to ensure that the plant complied with the applicable environmental requirements.

On 5 July 2019, officials from the Ministry of Ecology and Environment of the PRC visited Pingyao plant to investigate and verify whether the plant

- (a) was built with all appropriate approvals;
- (b) was meeting the latest discharge requirements of environment protection regulations; and
- (c) had stopped production as previously reported.

The relevant environmental regulations and their implementation were (and remain) subject to ongoing review and possible changes, and as a result the Directors are not confident that the Pingyao plant could satisfy the changing environmental requirements.

As a result, the Board undertook a process to determine the best outcome for the Company and its investment in SYMC, and to determine if further capital ought to be spent on the Pingyao plant to meet the current environment requirements. During that process the Board considered four options:

- (a) Continuing operating the Pingyao plant - CMC has invested RMB54,750,000 (approximately A\$11.22 million based on the Exchange Rate), representing a 91.25% equity stake in SYMC and made further loans of A\$250,000 and S\$1,025,000 (**Loans**) to SYMC. As at 30 June 2019 (unaudited), the net asset value (book value basis) of SYMC as a whole was about RMB19,400,000 (approximately A\$3.98 million based on the Exchange Rate), excluding eliminated intragroup balances and recharges (such as loans and employee salaries for services provided to SYMC but paid for by CMC) of approximately RMB35,000,000 (approximately A\$7.17 million based on the Exchange Rate) over the last 8 years on consolidation.

Further, there has been continuing uncertainties on environmental control measures which has hampered and will likely continue to hamper re-commencement of operations of the Pingyao plant.

Attempting to operate the Pingyao plant would incur further potential losses.

- (b) Alternatives uses - To date, the Board has not been able to find viable alternatives uses to generate positive cash flows. Samples from the magnesium lithium production that commenced in 2018 did not meet the customer quality requirements, and SYMC has not been able to carry out magnesium lithium production to generate positive cash flows.
- (c) Sale - Given the poor financial position of SYMC and the difficulty to re-commence production at the Pingyao plant due to the environmental issues in PRC, the Board notes that it is difficult to find potential buyers for the Pingyao plant. The Directors and consultant to CMC, utilizing their personal networks/connections across China, Singapore and Australia, have been trying to find a buyer for the SYMC Shares, however CMC has only been able to identify Worldcom Parkway as a buyer. CMC has not been able to establish positive contact with PMC in relation to the Sale.
- (d) Winding up of SYMC - As an alternative to the Sale and as a way to limit further contributions, the Board has considered having SYMC wound up. There would be no certainty as to the amount (if any) CMC may recover from winding up SYMC or the costs, timing and resources CMC may need to incur to complete the winding up.

Following an assessment of the above options, the Board is of the view that it is in the best interest of CMC and its shareholders for CMC to exit from the Pingyao plant by disposing the SYMC Shares as soon as possible rather than to continue to hold the SYMC Shares and operate the Pingyao plant to incur further potential losses, as:

- (a) it may not be viable to operate the Pingyao plant based on the fact that SYMC has not been able to re-commence operations as it has been continually hampered by uncertainties surrounding the environmental control measures imposed by the PRC authorities;
- (b) the investment in SYMC has not generated positive returns to CMC since SYMC's inception with accumulated operating losses of about RMB 43 million (approximately A\$8.81 million based on the Exchange Rate) since inception (excluding eliminated intragroup balances and recharges, such as loans and employee salaries, of approximately RMB35,000,000 (approximately A\$7.17 million based on the Exchange Rate) over the last 8 years on consolidation); and
- (c) SYMC has a poor financial position (with current liabilities RMB58,000,000 (approximately A\$11,885,245 based on the Exchange Rate) significantly exceeding current assets RMB10,000,000 (approximately A\$2,049,180 based

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on the Exchange Rate) as of 30 June 2019 (unaudited)) leading to an imminent going-concern issue for the Group.

The Board is of the view that the Sale will dispose of an asset which exposes the Group to a significant ongoing capital requirement with uncertain regulatory and supply risks that is not generating any return for the Company, and will allow the Company focus on pursuing potential acquisitions which may enhance Shareholder value. The Directors believe that, following an assessment of the advantages and disadvantages disclosed below, the Sale is in the best interests of the Company.

3.7 Potential advantages of disposal of main undertaking

The potential advantages to the Shareholders of approving Resolution 1 and the Company selling its interest in SYMC are as follows:

- (a) The Company's investment in SYMC will require significant further capital contributions to comply with PRC environmental approvals (estimated to be not less than A\$2 million) and general working capital such as procuring raw materials and employee salaries prior to production recommencing.
- (b) The Pingyao plant is subject to significant regulatory, environmental and supply risks (refer to section 3.6 for further details), and currently loses approximately RMB 30,000 (approximately A\$6,147 based on the Exchange Rate) per month on a care and maintenance basis. Since the Company's initial investment in 2010, SYMC has incurred losses of approximately RMB 43 million (approximately A\$8.81 million based on the Exchange Rate, excluding eliminated intragroup balances and rechanges on consolidation).
- (c) The Company will receive RMB 1 million (approximately A\$204,918 based on the Exchange Rate), which will supplement working capital.
- (d) The Sale will allow the Company to consider other acquisitions which may increase Shareholder value.

3.8 Potential disadvantages of disposal of main undertaking

The potential disadvantages to the Shareholders of approving Resolution 1 are as follows:

- (a) The Company will be disposing its major asset, which may not be consistent with the investment objectives of all Shareholders.
- (b) As a result of the Sale, the size of the Company's asset base and operating activities will reduce significantly; which may affect the Company's ability to remain listed on the ASX, as it may no longer have a sufficient level of operations required under Listing Rule 12.1.
- (c) The Sale will reduce the Company's exposure to magnesium. Shareholders that elected to invest in the Company for exposure primarily to magnesium will need to seek exposure through other investments.

3.9 Financial effect of the Sale on the Company

Following is the effect of the Sale on the Company's key financial metrics:

	30 June 2019 unaudited accounts (before impairment) (A\$)	30 June 2019 unaudited accounts (after impairment) (A\$)	Adjustment as a result of the Sale (A\$)	30 June 2019 unaudited pro-forma following the Sale (A\$)
Total assets	25,402,715	17,006,707	(9,530,808)	7,475,899
Total equity interests	14,527,686	6,131,678	-	6,131,678
Revenue	1,276,269	1,276,269	(26,119)	1,250,150
Expenses	(4,023,148)	(12,419,156)	(9,661,010)	(2,758,146)
Net profit/(loss) before tax	(2,746,879)	(11,142,887)	(9,634,891)	(1,507,996)

The estimated loss that will be incurred on the sale of the SYMC Shares (based on the carrying value of A\$14.5 million as at 30 June 2019) will be A\$5.8 million (noting a total of A\$8.4 million impairments- impairments of A\$5.8 million to the property, plants and equipment and impairments of A\$2.6 million to the receivables of CMC). In addition to the loss incurred on the sale of the SYMC Shares, the Loans of A\$250,000 and S\$1,025,000 from CMC to SYMC will be written off.

An indicative pro-forma unaudited statement of financial position of the Company, that has been prepared to enable Shareholders to make an assessment of the potential effect of the Sale (the subject of Resolution 1) on the financial position of the Company (as at 30 June 2019), is included in SCHEDULE 2.

At completion of the Sale, the Purchaser will pay to the Company the purchase price of RMB1,000,000 (**Purchase Price**). The Purchase Price received by the Company from the Sale will be used for working capital.

Under PRC law, a shareholder is liable to a PRC company or its creditors to the extent of the amount of capital the shareholder agrees to contribute to the PRC company. The capital agreed to be contributed to SYMC by CMC is RMB54,750,000 (**Agreed Capital Contribution**). The Company has made the full amount of the Agreed Capital Contribution to SYMC, and is not liable for the debts of SYMC under PRC law or otherwise.

There will be no impact on the number of Shares on issue in CMC as a result of the Sale.

3.10 The Company's intentions post Completion

The Company currently holds a 40% interest in 2 tenements in the Greenbushes area of Western Australia, which it intends to continue to hold regardless of whether Shareholders approves the Sale.

The Company has recently commenced a commodity trading business, which will continue regardless of whether Shareholders approves the Sale.

The Company has for some time assessed a range of acquisition and investment opportunities, and in March 2019 invested A\$4.5 million in Sovran White (Shandong) International Logistics Company Limited. The Company will continue to assess investment opportunities regardless of whether Shareholders approve the Sale, although and for the reasons set out above, disposing of the SYMC Shares simplifies the acquisition of an asset that may increase Shareholder value.

In the event that the Shareholders do not approve the Sale:

- (a) the Company does not intend to contribute further capital to SYMC until the Board is satisfied with the certainty and economic viability of recommencing production at Pingyao plant; the timing of which the Board is currently unable to determine; and
- (b) the Board will explore alternative uses for the Pingyao plant which may generate positive cash flows; such as leasing arrangements.

The Sale will not result in any changes to the Company's Board or management, and it is not anticipated that there will be any immediate impact the Company's status as a listed entity. Any future acquisition is highly likely to require Shareholder approval and re-compliance with Chapters 1 and 2 of the Listing Rules for re-admission. Re-admission is at the discretion of ASX, and may be outside the Company's control.

The Company's Shares are currently suspended from trading. Whilst the Company is seeking to have its Shares reinstated to trading as soon as possible, there is a significant risk that this may not occur until the Company re-complies with the admission requirements of ASX. Furthermore, if its Shares are reinstated to trading prior to re-compliance, ASX will likely (in accordance with Guidance Note 12) suspend the Company's securities from quotation if the Company does not, within 6 months of completing the Sale, announce an acquisition.

3.11 Timetable

An indicative timetable of the Sale is as follows:

1	Signing of the Sale and Purchase Agreement	6 August 2019
2	Completion due diligence by Worldcom Parkway	Mid-September 2019

3	Shareholder Meeting to approve the Sale	23 October 2019
4	Satisfying Minority Shareholder Rights and obtaining PRC regulatory approvals (both of which will commence upon Worldcom Parkway confirming satisfaction of due diligence)	Mid November 2019
5	Completion of the Sale	Around 1 week from satisfaction of the conditions precedent including conditions under items 2, 3 and 4 above.

The timetable is indicative only and may change due to factors beyond the control of the Company.

3.12 Directors' recommendation

For the reasons set out above, the Board unanimously recommends that Shareholders vote in favour of Resolution 1.

The Directors are not aware of any other commercial information that is material to the question of whether Shareholders should approve Resolution 1.

4 RESOLUTIONS 2 AND 3 - PLACEMENT

4.1 Background

On 6 August 2019, the Company announced that it had agreed to raise A\$500,000 through the issue of 16,666,666 Shares at A\$0.03 per Share (**Tranche 1**), and that it was in discussions with other potential investors to raise further funds on the same terms (**Tranche 2**) (Tranches 1 and 2 are together the **Placement**). Funds raised under the Placement will be used to pay CMC's creditors (corporate overheads and not directly incurred by SYMC), fund due diligence of potential acquisitions and provide general working capital.

The Company has at the date of this Explanatory Statement issued 10 million Shares under Tranche 1 and expects to issue the remaining 6,666,666 Shares prior to the Meeting. Resolution 2 seeks ratification of the issue of those Shares.

The Company has also progressed discussions with investors for Tranche 2, and now intends to raise up to A\$1 million under Tranche 2 of the Placement.

The dilutive effect of the Placement is as follows:

	Existing		Tranche 1		Tranche 2	
	Shares	%	Shares	%	Shares	%
Existing ¹	462,438,556	100	462,438,556	96.52	462,438,556	90.24
Tranche 1			16,666,666	3.48	16,666,666	3.25
Tranche 2					33,333,333	6.50
Total	462,438,556		479,105,222	100	512,438,555	100

¹ Prior to the issue of Shares under Tranche 1.

The Board unanimously recommends that Shareholders vote in favour of Resolutions 2 and 3. Resolution 2 will restore the Company's ability to issue securities under the Company's 10% annual limit permitted by Listing Rule 7.1A, and Resolution 3 will allow the Company to raise up to A\$1 million through the issue of Shares without affecting the Company's 15% or 10% capacities under Listing Rules 7.1 and 7.1A respectively.

4.2 Listing Rules

Listing Rule 7.1 limits the number of securities a company can issue in a 12 month period to 15% of its issued share capital, except for certain issues, including where first approved by Shareholders. Listing Rule 7.1A allows an eligible entity to issue up to a further 10% of its issued share capital, subject to certain conditions including prior approval at the company's annual general meeting.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rules 7.1 and 7.1A. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rules 7.1 and 7.1A (and provided that the previous issue did not breach ASX Listing Rule 7.1 and 7.1A respectively), those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

4.3 Resolution 2 - Tranche 1

Shares issued under Tranche 1 of the Placement were issued under Listing 7.1A and without Shareholder approval. Resolution 2 seeks Shareholder approval to ratify the issue.

For the purposes of Listing Rule 7.5, the following information is provided about Shares issued under Tranche 1:

- (a) The number of securities issued by the Company for which ratification is sought is up to 16,666,666 Shares, of which 6,666,666 Shares were issued on

7 August 2019, 3,333,333 Shares issued on 28 August 2019 and the balance (6,666,666 Shares) intended to be issued prior to the Meeting.

- (b) The price at which the securities were issued was A\$0.03 per Share.
- (c) The securities issued were fully paid ordinary shares in the capital of the Company; ranking equally with existing Shares on issue.
- (d) The securities were issued to Mr Adrian Tay Kuon Yang, who was identified by the Directors and is not a related party to the Company.
- (e) The use of funds raised under the issue is set out in section 4.1 above.
- (f) A voting exclusion statement is included in the Notice.

In the event that any Shares are issued under Tranche 1 after the Meeting, they will not be ratified under Resolution 2 and will remain included in calculating the Company's remaining capacity under Listing Rule 7.1A.

4.4 Resolution 3 - Tranche 2

Resolution 3 seeks shareholder approval for Tranche 2, being a capital raising by the Company of up to A\$1 million through the issue of up to 33,333,333 Shares on the same terms as Tranche 1.

For the purposes of Listing Rule 7.3, the following information is provided about the proposed issue of Shares:

- (a) The maximum number of securities to be issued is up to 33,333,333 Shares.
- (b) The securities will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue will occur on the same date.
- (c) The issue price of the securities is A\$0.03 per Share.
- (d) It is intended that the securities under Tranche 2 will be issued to sophisticated investors identified by the Directors and who are not related parties to the Company.
- (e) The securities to be issued are fully paid ordinary shares in the capital of the Company; ranking equally with existing Shares on issue.
- (f) The use of funds raised under the issue is set out in section 4.1 above.
- (g) A voting exclusion statement is included in the Notice.

Resolution 3 will be withdrawn if the Company completes (using its existing capacity under Listing Rules 7.1 and 7.1A) Tranche 2 prior to the Meeting; in which case the Company intends to seek ratification of that issue at the Company's annual general meeting in November 2019.

SCHEDULE 1 GLOSSARY

\$ or A\$ means Australian dollars.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

AWST means Australian Western Standard Time.

Board means the current board of directors of the Company.

Business Day has the meaning given in the Listing Rules.

Chair means the chair of the Meeting.

Company means China Magnesium Corporation Limited (ACN 125 236 731).

Constitution means the Company's constitution.

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

Directors means the current directors of the Company.

Exchanged Rate used in this Notice is at a rate of A\$1 = RMB4.88 as published by the Reserve Bank of Australia on 10 September 2019.

Explanatory Statement means the explanatory statement accompanying the Notice.

Group means the Company and SYMC.

Listing Rules means the Listing Rules of ASX.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Placement has the meaning given in section 4.1.

PMC means Pingyao Maoyuan Ciye Co. Ltd (平遥县茂源磁业有限公司), the minority shareholder in SYMC.

Tranche 1 has the meaning given in section 4.1.

Tranche 2 has the meaning given in section 4.1.

PRC means the People's Republic of China.

Proxy Form means the proxy form accompanying the Notice.

Purchaser or Worldcom Parkway means Worldcom Parkway International Trade (Tianjin) Co. Ltd.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of the Explanatory Statement.

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

Shareholder means a registered holder of a Share.

SYMC means Shanxi Yushun Magnesium Co. Ltd (山西钰舜镁业有限责任公司), an entity incorporated in PRC.

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**SCHEDULE 2 INDICATIVE PRO-FORMA STATEMENT OF FINANCIAL POSITION AS OF 30
JUNE 2019 BASED ON UNAUDITED ACCOUNTS**

	Note	Group (before impairment) \$	Group (before disposal/after impairment) \$	Deconsolidation on disposal \$	Group (after disposal) \$
ASSETS					
Current assets					
Cash and cash equivalents		295,056	295,056	(118)	294,938
Trade and other receivables	1	4,303,576	1,716,439	(759,080)	957,359
Inventories		80,633	80,633	(80,633)	-
Other		-	-	-	-
Total Current Assets		4,679,265	2,092,128	(839,831)	1,252,297
Non-current assets					
Prepayments		803,382	803,382	(162,621)	640,761
Property, plant and equipment	2	14,501,077	8,692,206	(8,528,356)	163,850
Right of use assets		381,490	381,490	-	381,490
Investment equity accounted associate		5,037,501	5,037,501	-	5,037,501
Total Non-Current Assets		20,723,450	14,914,579	(8,690,977)	6,223,602
Total assets		25,402,715	17,006,707	(9,530,808)	7,475,899
LIABILITIES					
Current liabilities					
Trade and other payables		2,095,006	2,095,006	(1,160,920)	934,086
Lease liabilities		147,866	147,866	-	147,866
Employee benefits		17,725	17,725	(4,431)	13,294
Total Current Liabilities		2,260,597	2,260,597	(1,165,351)	1,095,246
Non-Current liabilities					
Trade and other payables		6,652,483	6,652,483	(6,652,483)	-
Lease liabilities		248,975	248,975	-	248,975
Borrowings		1,712,974	1,712,974	(1,712,974)	-
Total Non-Current Liabilities		8,614,432	8,614,432	(8,365,457)	248,975
Total liabilities		10,875,029	10,875,029	(9,530,808)	1,344,221
Net assets		14,527,686	6,131,678	-	6,131,678
EQUITY					
Contributed equity		31,139,842	31,139,842	-	31,139,842
Reserves		3,447,917	3,447,917	(2,451,712)	996,205
Accumulated losses		(19,645,963)	(27,533,695)	1,529,326	(26,004,369)
Total equity attributable to owners of the parent		14,941,796	7,054,064	(922,386)	6,131,678
Non-controlling interest		(414,110)	(922,386)	922,386	-
Total equity		14,527,686	6,131,678	-	6,131,678
Notes					
1. Trade and other receivables					
Group (before 2019 impairment)		4,303,576	4,303,576		4,303,576
Less: Impairment in relation to long outstanding amount			(2,587,137)		(2,587,137)
Less: Deconsolidate SYMC receivables on disposal				(966,738)	(966,738)
Add: Consideration in conditional SPA				207,658	207,658
Total trade and other receivables		4,303,576	1,716,439	(759,080)	957,359
2. Property, plant and equipment					
Group (before 2019 impairment)		14,501,077	14,501,077		14,501,077
Less: Allocated impairment based on consideration in SPA			(5,808,871)		(5,808,871)
less: Deconsolidate SYMC PP&E on disposal				(8,528,356)	(8,528,356)
Total PP&E		14,501,077	8,692,206	(8,528,356)	163,850

CHINA MAGNESIUM CORPORATION LIMITED

ACN: 125 236 731

REGISTERED OFFICE:

LEVEL 27
480 QUEEN STREET
BRISBANE QLD 4000

SHARE REGISTRY:

Security Transfer Australia Pty Ltd

All Correspondence to:

PO BOX 52
Collins Street West VIC 8007
Suite 913, Exchange Tower
530 Little Collins Street
Melbourne VIC 3000

T: 1300 992 916 F: +61 8 9315 2233

E: registrar@securitytransfer.com.au

W: www.securitytransfer.com.au

«Company_code» «Sequence_number»

«Holder_name»
«Address_line_1»
«Address_line_2»
«Address_line_3»
«Address_line_4»
«Address_line_5»

Code:

CMC

Holder Number:

«HOLDER_NUM

PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

**VOTE
ONLINE**

Lodge your proxy vote securely at www.securitytransfer.com.au

1. Log into the Investor Centre using your holding details.
2. Click on "Proxy Voting" and provide your Online Proxy ID to access the voting area.

«ONLINE

SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

The meeting chairperson

OR

or failing the person named, or if no person is named, the Chairperson of the meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the General Meeting of the Company to be held at 10:00am (Singapore time/AWST) on Wednesday 23 October 2019 at the Meeting Room @ Triple One Somerset, Level 3, 13 Triple One Somerset, 111 Somerset Road, Singapore 238164 and at any adjournment of that meeting.

SECTION B: Voting Directions

Please mark "X" in the box to indicate your voting directions to your Proxy. The Chairperson of the Meeting intends to vote undirected proxies in FAVOUR of all the resolutions.

In exceptional circumstances, the Chairperson of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

RESOLUTION

1. Sale of interest in SYMC
2. Ratification of prior issues of Shares under Tranche 1 of the Placement
3. Issue of Shares under Tranche 2 of the Placement

For Against Abstain*

If no directions are given my proxy may vote as the proxy thinks fit or may abstain. * If you mark the Abstain box for a particular item, you are directing your Proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SECTION C: Signature of Security Holder(s)

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder

Security Holder 2

Security Holder 3

Sole Director & Sole Company Secretary

Director

Director/Company Secretary

Proxies must be received by Security Transfer Australia Pty Ltd no later than 10:00am (Singapore time/AWST) on Monday 21 October 2019.

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My/Our contact details in case of enquiries are:

Name:

Number:

()

1. NAME AND ADDRESS

This is the name and address on the Share Register of the Company. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

2. APPOINTMENT OF A PROXY

If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a shareholder of the Company.

3. DIRECTING YOUR PROXY HOW TO VOTE

To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

4. APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two (2) persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second Proxy, an additional Proxy form may be obtained by contacting the Company's share registry or you may photocopy this form.

To appoint a second Proxy you must:

- a) On each of the Proxy forms, state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each Proxy may exercise, each Proxy may exercise half of your votes; and
- b) Return both forms in the same envelope.

5. SIGNING INSTRUCTIONS

Individual: where the holding is in one name, the Shareholder must sign.

Joint Holding: where the holding is in more than one name, all of the Shareholders must sign.

Power of Attorney: to sign under Power of Attorney you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's share registry.

6. LODGEMENT OF PROXY

Proxy forms (and any Power of Attorney under which it is signed) must be received by Security Transfer Australia Pty Ltd no later than the date and time stated on the form overleaf. Any Proxy form received after that time will not be valid for the scheduled meeting.

The proxy form does not need to be returned to the share registry if the votes have been lodged online.

Security Transfer Australia Pty Ltd

Online www.securitytransfer.com.au

Postal Address PO BOX 52
Collins Street West VIC 8007

Street Address Suite 913, Exchange Tower
530 Little Collins Street
Melbourne VIC 3000

Telephone 1300 992 916

Facsimile +61 8 9315 2233

Email registrar@securitytransfer.com.au

PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Australia Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of security holders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Australia Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.



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