



China Magnesium Corporation Limited

## AGM Presentation

28 November 2017

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# Key developments since 2016 AGM

- Pingyao semi-coke conversion compete
- Production ceased April 2017 (part of blanket ruling) under EPP environment protection. CMC project additional emission discharge control work @ AUD\$1.1M to maintain EPP compliance.
- CMC procured 2 tenements at Greenbushes, WA. Lithium desktop review supports potential for further exploration.
- Rights issue raises \$2M – attaching options raising closes 8 December 2017
- Jiexiu City Baiyun Quarry mining permit cancelled on 31 July 2017. Management have sourced alternative dolomite supply for production. CMC anticipates recovery of RMB 3M under Option and Purchase Agreement which substantially covers carrying cost.

# Pingyao semi-coke cracker conversion complete

- Adaptation of all coal-to-gas units into the operational semi-coke crackers completed by March 2017
- Pre-production commenced at Pingyao in April 2017
- Production of value-added magnesium and other products will also be sought as CMC builds its distribution relationships and branding

# Environment protection management

- Pingyao plant required to immediately cease production in late April 2017
- Minister of Environmental Protection directive a “blanket ruling” whilst Environment Protection Department (EPP) implements supervision process
- CMC Pingyao plant pollutant standards comply with the EPP discharge standards.
- CMC project additional initial emission discharge control work (raw material storage maintenance) @ AUD \$1.1M for early calendar 2018 resumption

# Lithium project in Greenbushes

- CMC 40% interest under Framework Agreement in funded lithium exploration project
- Tenement considered prospective for pegmatite-hosted lithium and tantalum deposits, being situated in the same geological terrain near to world's largest spodumene mine
- Tenements were selected by CMC for their close proximity to Greenbushes mine & the limited historical exploration for lithium over the application area
- Framework Agreement with Shanghai Min Heng Science & Technology Development Company Limited ("SMH"), which is associated with a diversified lithium concentrate producer and processor with previous experience in Greenbushes WA
- CMC have received RMB 1M (~\$200k) deposit
- CMC have satisfied all terms of the Framework Agreement.
- SMH to provide technical expertise in lithium exploration and processing.

# Rights issue of shares and listed options

- 1:2.4378 Rights offer at 2.5 cents completed 23 November 2016
- Rights issue raises over \$2M (pre costs) – over-subscribed
- Underwriters of Rights offer include Messrs Wu, Ma, Wang Fengjin and Wang Yuping (over \$800K) through CMD's Chinese network
- General working capital raised to build capacity including completion of strategic assets acquisition
- Attaching options offer at 5.0 cents expires 8 December 2017

# Mining permit cancellation

- Jiexiu City Baiyun Quarry mining permit cancelled on 31 July 2017
- Management have sourced alternative dolomite supply for production
- Option and Purchase Agreement provides for RMB 3M recovery should CMC not be able to utilise mine against quarry cost @ RMB 3.2M.



# Pingyao operations – current state

- Magnesium and magnesium alloy production to recommence after TPP approval.
- World market for magnesium expected to remain solid for medium term.
- Production of value-added magnesium and other products will also be sought as CMC builds its distribution relationships and branding
- Tar oil yield from semi coke production is much higher than from the coal-to-gas units
- New loading and discharging machine to significantly reduce labour costs compared with manual loading and unloading of retorts - developed by CMC and Fengyan
- Using vertical kilns to calcine dolomite for magnesium production.

# Future expansion capabilities already secured

- Key environmental permits in place to expand production to 105,000tpa magnesium
- Water rights secured to enable expansion to 105,000tpa magnesium
- 90mu (~60,000m<sup>2</sup>) of land secured, earmarked for either next expansion phase or to capitalise on other horizontal or vertical synergies such as downstream processing of our products
- Additional 29mu (~20,000m<sup>2</sup>) of land just secured next to CMC's original 5,000tpa nameplate capacity plant will also free up land within the existing plant for expansion.
- Expansion of semi coke, tar oil, calcium metal and brick production occurring concurrently with magnesium expansion

# Summary

- ✓ CMC well placed for growth with flexible and efficient production capacity
- ✓ Improved market conditions for magnesium expected to continue
- ✓ Greenbushes lithium/tantalum exploration project progressing quickly
- ✓ Over-subscribed rights issue providing working capital flexibility
- ✓ Environmental issues being professionally managed – anticipate return to production in early 2018
- ✓ FY2017/8 expected to be both a challenging and rewarding year for CMC
- ✓ CMC remains focussed to become a large, low cost, integrated producer of magnesium, semi coke, tar oil and other industrial products

# Magnesium – 21<sup>st</sup> century structural metal

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

# Pingyao magnesium plant overview

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

*\* Approximate/typical figures*