



CONDITIONAL HEADS OF AGREEMENT

Highlights:

- Conditional agreement to form a joint venture with Sovran White International Pte. Ltd., a Singapore-based multi-national.
- Sovran White and a company owned by the Zibo Municipal Government have formed a Foreign Investment Partnership Enterprise (**FIPE**), which has secured the right to cultivate existing agricultural orchards which produced over 1 million tonnes of produce during the 2017 season across approximately 400km² of land in Yiyuan County.
- Exclusivity term of 45 days
- JV to acquire management and exclusive export rights in relation to the Co-Operative and its produce.
- CMC will issue 60M shares to Sovran White at \$0.07 per share upon completion of the Proposed Transaction.

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PO Box 3767
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Issued Capital:

Quoted:

314,897,034 fully paid shares

Unquoted:

Nil

Directors:

William Bass
(Non-Executive Chairman)

Tom Blackhurst
(Managing Director)

Xinping Liang
(Chief Operating Officer)

Peter Robertson
(Non-Executive Director)

Substantial shareholders:

Mr Tom Blackhurst	14.7%
Shanxi Pingyao Fengyan Group	11.1%
Mr Xinping Liang	10.9%
Mr Guicheng Jia	5.4%

China Magnesium Corporation Limited (ASX: **CMC**; “**CMC**” or “the **Company**”) is pleased to announce that it has executed a conditional, non-binding Heads of Agreement (**Agreement**) with Sovran White International Pte. Ltd. (**Sovran White**) to form a joint venture providing management services, and holding exclusive export rights in relation to, an agricultural co-operative based in Yiyuan County, Zibo City, Shandong Province.

The Yiyuan County Growers Co-Operative (**Co-operative**) is owned and operated by a Foreign Investment Partnership Enterprise (**FIPE**) which was formed between Sovran White and Shandong Luxi Hi-Tech Park Development Co. Ltd, a company owned by the Zibo Municipal Government (**ZCG**) in May 2018.

The Co-Operative produced over 1 million tonnes of produce during the 2017 season across approximately 400km² of land located in Yiyuan County, Shandong Province.

Sovran White currently holds a 70% interest in the FIPE and ZCG holds a 30% interest. Subject to satisfaction of the various conditions set out in the Agreement (the following matters being the **Proposed Transaction**):

- CMC and Sovran White will form a joint venture company in Singapore (**JV**);
- CMC will acquire a 20% interest in the JV in consideration for the issue by CMC of 60 million fully paid ordinary shares to Sovran White at A\$0.07 per share;
- Sovran White will acquire an 80% interest in the JV to provide management services, and exclusive export rights, which are currently managed and operated by the FIPE in relation to the Co-Operative and its produce.

About Sovran White

Sovran White is controlled by Mr. Peh Chin Hua, who boasts an impressive public and private career. Mr. Peh was a Singapore Member of Parliament from 1988 to 2001, holding the seat of Jalan Besar Group Representation Constituency, and winning three consecutive elections with the People's Action Party.

In 1992, Mr. Peh founded Dragon Land Limited and acted as its Chairman and CEO. In 1998, Dragon Land was listed on the Stock Exchange of Singapore and, in 2005, Mr. Peh sold his shares to Government-linked Keppel Land (Keppel Land is the property arm of Keppel Corporation, a company founded by Temasek Holdings, a Singaporean holding company owned by the Government of Singapore).

Mr. Peh has decades of experience in developing and completing projects throughout China and the Joint Venture will leverage this extensive experience.

CMC's Managing Director, Tom Blackhurst, stated that "although CMC remains focused on its core magnesium business, this transaction takes advantage of a unique opportunity to add value to shareholders".

Joint Venture Proposed Transaction overview

Following is a summary overview of the Proposed Transaction.

1. The JV will be awarded contracts in and including but not limited to:
 - (a) providing management services for the packaging & storage of the FIPE's produce as well as the management services for the logistics and distribution of the produce both domestically and internationally
 - (b) the exclusive rights to export the FIPE's products through CMC's Singapore based trading company CMC Commodities Pte Ltd

Transaction conditions

1. The Proposed Transaction is conditional on the following events:
 - (a) satisfaction of all necessary due diligence investigations by CMC;
 - (b) finalization of negotiations and entry into definitive long form documentation based on the terms and conditions set out in the Heads of Agreement; and
 - (c) CMC obtaining any necessary regulatory and Shareholder approvals that may be required pursuant to the Corporations Act and the Listing Rules to complete the transactions contemplated by the Heads of Agreement; and
 - (d) the parties obtaining any consents necessary to register (if applicable) and give full effect to performing their obligations in the formation of the Joint Venture.
2. The Agreement is subject to a 45 day exclusivity period to satisfy the conditions and to allow CMC to conduct its due diligence. If the conditions are not satisfied by the end of the exclusivity period the Agreement automatically terminates.
3. The Agreement otherwise contains usual terms and conditions which are typical for an agreement of its nature.

No change to CMC primary strategy

Sovran White was introduced to CMC through CMC's strong network in China and Singapore. Although CMC remains focused on becoming a large, low cost, integrated producer of magnesium, semi coke, tar oil and other industrial products, CMC has and will continue to take advantage of any synergistic or value-adding opportunities as they present themselves.

The investment in the Joint Venture is an example of such an opportunity.

Enquiries

For further information please visit our website: www.chinamagnesiumcorporation.com

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