



NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Members of China Magnesium Corporation Limited (“Company” or “CMC”) will be held at the offices of BDO, Level 10, 12 Creek St, Brisbane, Queensland (Australia) at 10am (Queensland time) on Tuesday 25 November 2014.

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 2014.

Resolution 1: Re-election of Mr Peter Robertson

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

"That Mr Peter Robertson, 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 report of the directors’ contained in the 2014 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:

"To, for the purposes of ASX listing rule 7.4 and for all other purposes, approve and ratify the issue of 20,415,062 fully paid ordinary shares to Mr Wang Feng pursuant to the placement announced to ASX on 29 April 2014 and as described in the explanatory statement accompanying this notice."

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

Damien Kelly
Company Secretary
16 October 2014

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 10.00am (Queensland time) on Sunday 23 November 2014.

Proxies and Body Corporate Representatives

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.

The instrument appointing the proxy or corporate representative must be received by the Company at Level 10, Seabank Building, 12-14 Marine Parade, Southport QLD Australia 4215, at least 48 hours before the time notified for the Meeting (proxy forms can lodged by facsimile on +61 7 5591 1059).

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 cast on resolution 3 by Mr Wang Feng (and any associates of Mr Wang). A vote must not be cast (in any capacity) on resolution 3 by or on behalf of Mr Wang Feng (and any associates of Mr Wang). However a vote may be cast and the Company will not disregard a vote 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 cast by the person chairing the meeting as a 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 the offices of BDO, Level 10, 12 Creek St, Brisbane, Queensland (Australia) at 10am (Queensland time) on Tuesday 25 November 2014.

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 agenda of the matters to be put to Shareholders

Specific comments relating to the agenda items 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 Peter Robertson as a Director

Mr Peter Robertson retires in accordance with Listing Rule 14.4 and the Company’s Constitution and, being eligible, offers himself for re-election.

Mr Robertson has been an independent non-executive director since 3 July 2008, He is an Australian metallurgical engineer with more than 30 years of experience in mineral processing, smelting and rolling of aluminium and developing new technologies for the recycling of aluminium waste material. Over the past 21 years, Mr Robertson has been involved in the manufacture and supply of consumables and consulting services to the aluminium cast house industry through his role as General Manager of Leymont Pty Ltd.

The Directors recommend that you vote in favour of this resolution

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 2014 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

Resolution 3 has been proposed so that members may consider and if thought fit approve and ratify, for the purposes of Listing Rule 7.4, and for all other purposes, the issue by the Company of 20,415,062 ordinary shares to Mr Wang Feng pursuant to the placement announced to ASX on 29 April 2014 ("**Wang Placement**"). The placement was made pursuant to the investment and cooperation agreement with Shanxi Pingyao Fengyan Coal & Coke Group Company Limited ("**Fengyan**") announced on 17 December 2013, with updates announced on 16 January 2014, and in the Half Year Report and Accounts dated 25 February 2014.

For the purposes of Listing Rule 7.5, further information is provided as follows:

- (a) the Wang Placement shares were issued on 30 April 2014;
- (b) the Wang Placement shares are fully paid ordinary shares and rank equally in all respects with the Company's existing fully paid ordinary shares on issue;
- (c) the Wang Placement shares were issued to Mr Wang Feng, as representative of Fengyan;
- (d) the Wang Placement shares were issued for a total issue price of RMB15 million (approximately A\$2.6 million at the time or A\$0.127 per share);
- (e) the funds were and are being used by the Company for the construction of semi-coke crackers (by the conversion of coal-to-gas units into semi-coke crackers) and their auxiliary facilities at the Company's magnesium production facilities (located in Pingyao, China), the construction and building of an overhead transmission line to connect the Company's site to the Fengyan power grid, and towards other capital equipment to reduce operating costs; and
- (f) a voting exclusion statement is included in the Notice.

The Directors recommend that you vote in favour of this resolution

END OF EXPLANATORY STATEMENT

