



China Magnesium Corporation Limited

AGM Presentation

November 2015

**Building a diversified industrial
commodities producer and trader**

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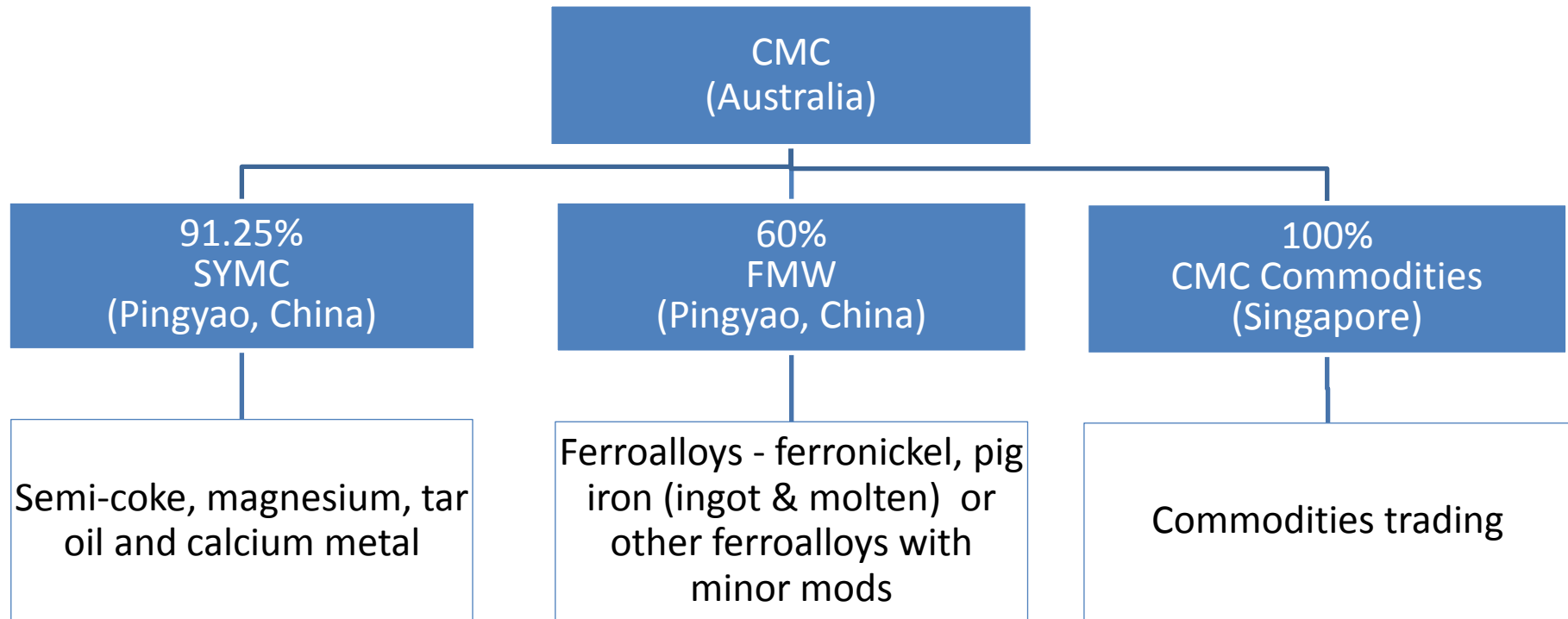
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Key developments since 2014 AGM

- Building a diversified, integrated and flexible industrial commodities producer and trader now with three main business units:
 - SYMC (91.25%) – semi-coke, magnesium and tar oil; with additional flexibility/capacity to produce calcium metal
 - FMW (60%) – adaptable ferroalloy blast furnace operations which has produced ferronickel and pig iron
 - Commodities trading (100%)
- Co-operation agreement for FMW commenced February 2015
- Growing commodities trading desk – now the exclusive trading desk for a number of Fengyan operations in addition to the CMD Group
- Patience and resolve (Chinese style) starting to deliver results and remains integral
- Positive operating cash flow for each quarter to 30 June 2015

The key business units



Fengyan investment and cooperation

- Investment and cooperation agreements with Shanxi Pingyao Fengyan Coal & Coke Group Company Limited (“Fengyan”)
- Fengyan is a large, Pingyao-based conglomerate
- Total assets ~A\$1bn and diverse operations including ferronickel, coal mining/coking, power generation, other industrial products, hotels and real estate development
- Co-operative use of plants, infrastructure, manpower, resources, innovation and output, adding long term benefit
- Taking mutual advantage of compelling synergies, savings, product expansion, trading and potential downstream processing
- Increasing product range, FMW controlling interest and Fengyan commodities trading rights are a direct outcome of this strengthening relationship

Pingyao plant locations



Location of CMC's production operations in Pingyao, Shanxi province, northern China

FMW – Adaptable ferro/ferroalloy production



- CMC acquired a 60% interest in the total turnover/profit/loss of Fengyan Mineral Wool Co. Ltd. (“FMW”) effective 1 February 2015.
- Located in Pingyao close to SYMC’s operations – synergies and integration benefits
- CMC has 3 out of 5 board seats and is responsible for management and improvement of FMW’s business
- FMW production line lends itself to re-configuration where market conditions change
- FMW operations are adaptable – Ferronickel blast furnace was shut down and upgraded to produce pig iron ingot, and subsequently molten pig iron (ingot capacity also maintained)
- Further market opportunities appearing under the FMW Co-operation Agreement, and profitable growth is anticipated for 2015/2016

FMW – Summary

- ❑ FMW registered capital RMB 70M
- ❑ FMW total 300 employees
- ❑ There are 2 main products in FMW: Ferroalloys and mineral (rock) wool.
- ❑ Production is adaptable to various ferroalloy products
- ❑ Intended supply of molten pig iron production (in addition to ingot) enables higher sales price to FMW and lower cost to both FMW and foundry customers – value adding to increase margins to both

- ❑ Plant adaptations since initial FMW cooperation agreement: Ferronickel to pig iron ingot; then added molten pig iron capacity which is effectively complete and undergoing normal relicense process
- ❑ Fengyan leasing 3 vehicles specifically designed to receive molten iron from FMW
- ❑ FMW annual capacity: Ferronickel – 100K tons, Pig Iron (ingot) – 90K tons, Pig Iron (molten) – 100K tons ; Mineral Wool – 20K tons
- ❑ Molten pig iron can be delivered up to 200 - 300 km from Pingyao
- ❑ Customers ready for entire molten pig iron capacity:
 - ❑ Fengyan one of many
 - ❑ 4 other customers ready to purchase

SYMC – Mg centric diversified operations

- 20,000 tpa magnesium production nameplate capacity
- Producing semi coke, magnesium and tar oil
- $22.4\text{t SSC coal} = 14\text{t semi coke (product)} = 1.4\text{t tar oil (by product)} = 1\text{t Mg (product)}^*$
- All semi coke sold to FMW
- Expanded business license and environmental permissions include semi coke, magnesium, tar oil, bricks and calcium metal
- Calcium metal has been produced and sold
- Waste gas from the semi-coke operations being used for magnesium production
- Capex savings from semi coke cracker conversions (as opposed to new builds) has been applied to other investments to further reduce operating costs

** Approximate/typical figures*

Pingyao operations – current state

- Small scale operations – awaiting FMW restart (imminent) to supply semi coke
- Production of value-added magnesium and other products will also be sought as CMC builds its distribution relationships and branding
- Retorts can now be made in-house using ferronickel from Fengyan rather than the previous (more expensive) practice of leasing the retorts
- Other opex-reducing, revenue-maximising investments also planned or in process

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 (~60,000m²) 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 (~20,000m²) of land just secured next to CMD's original 5,000tpa nameplate capacity plant will also free up land within the existing plant for expansion
- Expansion of semi coke, tar oil and calcium metal to occur concurrently with magnesium expansion

Summary – Positioned for growth

- ✓ CMC well placed for growth with flexible and efficient production capacity
- ✓ Building a diversified, integrated and flexible industrial commodities producer and trader
- ✓ FMW Co-operation Agreement enhances range of production offerings
- ✓ FY2016 expected to be a rewarding year for CMC, despite challenges that often arise in China's dynamic and ever-changing economy (which also presents opportunities)
- ✓ CMC remains focussed to become a large, low cost, integrated producer of ferroalloys, magnesium, semi coke, tar oil and other industrial products

Our commitment

CMC remains committed to becoming one of the world's largest, integrated, low cost magnesium producers, whilst building capacity in industries such as calcium metal, pig iron, and semi coke which can further leverage our strengths and advantages