



China Magnesium Corporation Limited

AGM Presentation

November 2018

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Key developments

- Magnesium Lithium (MgLi) production commencement from Plant #1. Distillation testing for Li extraction consistently exceeding benchmark.
- CMC enters conditional Heads of Agreement to form Joint Venture with Sovran White providing management services and exclusive export rights for produce from Yiyuan County Growers Co-operative. CMC to acquire 20% of JV for 60M fully paid shares @ 7 cents.
- CMC completes divestment of 60% of 2 tenements at Greenbushes, WA. Further testing of tenements progressing.
- Rights issue raises approximately \$1.9M to date with shortfall applications under review. Attaching options raising closes 15 February 2019.
- Retirement of Non Executive Director Peter Robertson at 2018 AGM.

Heads of Agreement to form Joint Venture

- Conditional Heads of Agreement executed.
- Sovran White has 70% interest in Yiyuan County Growers Co-Operative.
- Joint Venture to provide management service to Co-Operative for:-
 - [i] packaging and storage of Co-Operative produce
 - [ii] logistics and distribution for produce from Co-Operative
 - [iii] exclusive rights to export through wholly owned CMC subsidiary
- CMC to acquire 20% interest in JV for 60M fully paid ordinary shares @ \$0.07 to Sovran White (who will hold 80% of JV).
- Production of value-added magnesium and other products will also be sought as CMC builds its distribution relationships and branding.
- Unique opportunity to add value to CMC shareholders from existing infrastructure.

Rights issue of shares and options

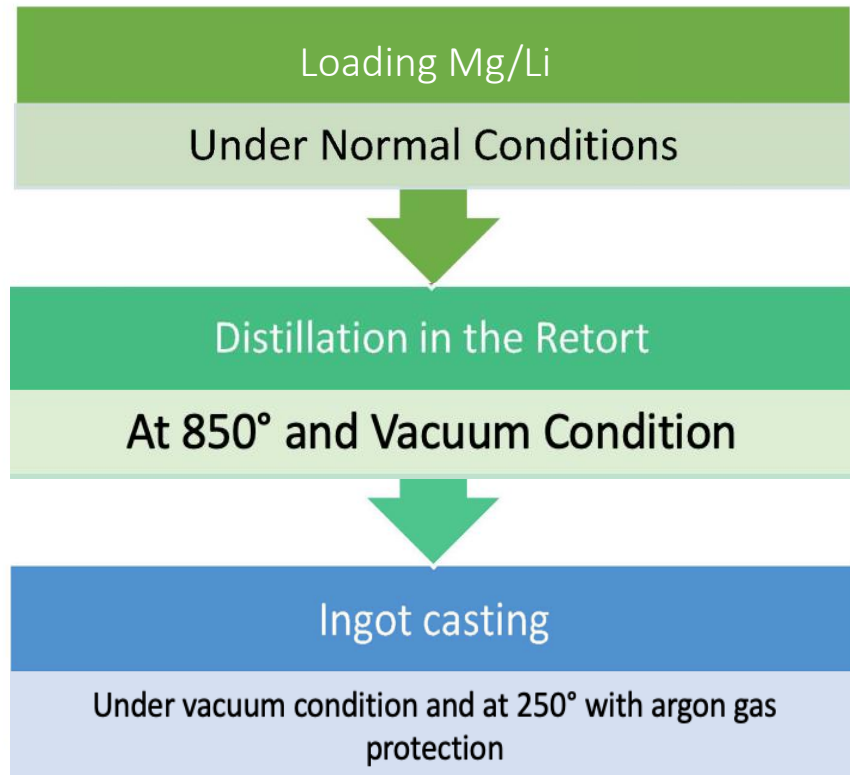
- 1:2 Rights offer at 5.0 cents completed 19 November 2018.
- Rights issue raises approximately \$ 1.9M to date (pre costs) – shortfall applications under review
- General working capital raised to build capacity including for MgLi plant at Pingyao.
- Attaching options offer at 10.0 cents expires 15 February 2019.

Pingyao operations – current state

- Magnesium and magnesium alloy production to recommence after EPP approval.
- World market for magnesium expected to remain solid for medium term.
- MgLi production from Plant #1 commenced September 2018 using state owned electricity grid energy source – no additional EPP approval required.
- Plant #2 delivery to Pingyao for additional high value added production by Q2 2019 - also using state owned electricity grid energy source.
- 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.

Magnesium alloy / high purity magnesium

Manufacturing Process





INGOTS

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 $5\text{t thermal coal} = 0.125\text{t tar oil (product)} = 1\text{t Mg (product)}^*$.
- Expanded into high value MgLi production 2018.
- 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*

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 secured next to CMC's original 5,000tpa nameplate capacity plant will 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.
- High value add MgLi production from Plant #1 in secured area

Environment protection management

- Pingyao plant required immediately ceased production in late April 2017 pursuant to Minister of Environmental Protection “blanket ruling” whilst Environment Protection Department (EPP) implements supervision process.
- CMC Pingyao plant pollutant standards comply with the EPP discharge standards.
- Rights issue to support EPP compliance work.
- CMC project additional initial emission discharge control work (raw material storage maintenance) @ AUD \$1.1M for Q2 calendar 2019 resumption.
- China’s 13th Five-Year Plan (2016-2020) sets clear objectives for a more environmentally friendly China. For the first time, eight obligatory environmental quality targets were included in the plan.
- President Xi Jinping is focused on pollution control as well as economic growth, with implications for the global supply chain in magnesium compounds as well as many other industrial raw materials. CMC well placed to grow under new environment protocols.

Lithium equity interest in Greenbushes

- CMC sold 60% interest pursuant to Framework Agreement in funded lithium exploration project in January 2018 for \$1,048,586.
- 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 have close proximity to Greenbushes mine, with limited historical exploration for lithium over the application area.
- Majority holder to provide technical expertise in lithium exploration and processing.
- Field work on first pass exploration programs has commenced

Summary

- ✓ CMC well placed for growth with flexible and efficient production capacity.
- ✓ Commenced MgLi production September 2018 using State electricity grid.
- ✓ Further Plant for value add Mg alloy using State electricity grid scheduled for activation.
- ✓ Improved market conditions for magnesium expected to continue.
- ✓ Heads of Agreement conditionally signed for 20% interest in management services JV over Chinese agricultural Co-Operative.
- ✓ Greenbushes lithium/tantalum joint venture first pass exploration progressing.
- ✓ Rights issue providing working capital flexibility.
- ✓ Environmental issues being professionally managed.
- ✓ FY2018/9 expected to be both a challenging and rewarding year for CMC.