



# China Magnesium Corporation Ltd.

Suite203, Level 2, 50 Marine Parade, Southport  
Queensland, Australia 4215

## Notice of Annual General Meeting

Notice is given that the Annual General Meeting of Members of China Magnesium Corporation Limited (the "Company") will be held at Level 18, 300 Queen Street, Brisbane, Queensland at 10AM Australian Eastern Standard Time on Friday 19 November 2010.

### Financial statements and reports

To receive and consider the audited financial statements of the Company for the year ended 30 June 2010.

#### Resolution 1: Re-election of Mr William Bass

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

"That Mr William Bass, a director who was appointed to the Board as a casual vacancy and who retires in accordance with the Company's Constitution, being eligible and having offered himself for re-election, be re-elected as a director."

#### Resolution 2: Re-election of Mr Xinping Liang

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

"That Mr Xinping Liang, a director who retires in accordance with the Company's Constitution, being eligible and having offered himself for re-election, be re-elected as a director."

#### Resolution 3: Adopt the Remuneration Report

To consider and, if thought fit, pass the following Advisory Resolution:

"That, the Remuneration Report for the year ended 30 June 2010 (as set out in the Notice of Annual General Meeting) is adopted."

*The vote on this Advisory Resolution is advisory only and does not bind the Directors of the Company.*

### 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

Adam Gallagher  
Company Secretary  
18 October 2010

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## Notes

### **Appointment of proxy**

A proxy form is enclosed for your use if required. Please see the instructions on the back of the form.

### **Persons entitled 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 6.00pm (Queensland time) on 17 November 2010.

### **Corporate representatives**

A member, that is a body corporate, may appoint an individual as its representative to exercise all or any of the powers the body corporate may exercise at the meeting. The appointment may be a standing one.

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## EXPLANATORY MEMORANDUM

This Explanatory Memorandum 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 Level 18, 300 Queen Street Brisbane QLD 4000 on 19 November 2010 at 10.00AM (Brisbane time).

The Directors recommend shareholders read the accompanying Notice of Annual General Meeting (**Notice**) and this Explanatory Memorandum in full before making any decision in relation to the resolutions.

The Notice of Meeting sets out the details of the matters to be put to Shareholders comprising the following:

### Ordinary Resolutions

Re-election of Mr William Bass as a Director;

Re-election of Mr Xinping Liang as a Director;

To consider the Remuneration Report;

Specific comments relating to the Resolutions are set out below.

### Financial statements and reports

During this item there will be an opportunity for shareholders to ask questions and comment on the audited financial statements of the Company for the year ended 30 June 2010. No resolution will be required to be passed on this matter.

### Resolution 1 – Re-election of Mr William Bass as a Director

Mr William Bass was appointed as a Director as a casual vacancy on 15 February 2010. Mr. Bass retires in accordance with the Company's Constitution and, being eligible, offers himself for re-election.

Mr Bass has considerable corporate and listed company experience. He brings extensive commercial and financial management experience from a range of leading Australian and international public companies. He is currently a Non-Executive Director and Company Secretary of 1300SMILES Limited and was formerly Company Secretary of GE Capital, Billabong International Limited, Country Road Limited and On Card International Limited. Mr Bass is an Associate of the Institute of Chartered Accountants and the Institute for Independent Business and is a Fellow of the Institute of Chartered Secretaries and Taxation Institute of Australia.

### Resolution 2 – Re-election of Mr Xinping Liang as a Director

Mr Xinping Liang retires in accordance with the Company's Constitution and, being eligible, offers himself for re-election.

Mr Liang is a Chinese engineer based in Singapore with more than 22 years experience in international project and corporate development, mainly focussing on infrastructure assets, heavy industries and supporting technologies to support those industries. He has extensive senior executive experience in project evaluation, financial analysis and project/business development for numerous private, public and state owned enterprises in Asia (particularly China and Singapore), Australia and the UK.

Mr Liang grew up in Pingyao and introduced CMC to its Chinese joint venture partner in January 2007, which led to him co-founding the Company in May 2007 with Messrs. Blackhurst, Ming Li and Guicheng Jia.

### Resolution 3 - Remuneration Report

The Board has submitted its Remuneration Report to Shareholders for consideration and adoption by way of a non-binding Advisory Resolution. The Report:

- explains the Board's policy for determining the nature and amount of remuneration of executive directors and senior executives of the Company;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- sets out remuneration details for each Director and the most highly remunerated senior executive of the Company; and
- details and explains any performance conditions applicable to the remuneration of executive directors and senior executives of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

***The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report.***

Remuneration of directors and key management personnel :-

	2010	2009
Director	Fees	Fees
T Blackhurst	40,000	-
W Bass	20,000	-
X Liang	-	-
P Robertson	-	-
M Clarey	-	-

There were no key management personnel in the respective periods.

#### Executive contracts

Under their executive service contracts with the Company, Messrs Tom Blackhurst and Xinping Liang, who are both executive directors, are entitled to remuneration comprising base salary statutory superannuation entitlements and other benefits.

- a) Dominion Pacific Finance Pty Ltd (Consultant), a company owned by Mr Blackhurst, will provide the services of Mr Blackhurst as CEO of the Company for an annual fee of A\$350,000 calculated on a per-annum basis. The agreement will continue for a period of 3 years on and from the successful completion of the Offer but may be terminated without notice before the end of the Term:
  - [i] immediately by the Company 'for cause'; or
  - [ii] immediately by the Consultant if the Company fails to pay the consultancy fee or the Company becomes insolvent.

If the agreement is terminated for any reason other than the termination 'for cause' or resignation of the Consultant, provided that the Consultant has provided the services for three months of the Term, the Consultant is entitled to 12 months' remuneration.

After the end of the Term, the agreement may be terminated by either party by providing 3 months notice to the other (or, if terminated by the Company, payment in lieu of such notice).

- b) Singapore Energy & Equipment Investment Pte Ltd (Consultant), a company owned by Mr Liang, will provide the services of Mr Liang as executive Director of the Company for an annual fee of A\$300,000 calculated on a per-annum basis. The agreement will continue for a period of 3 years from on and from the successful completion of the Offer (**Term**) but may be terminated without notice before the end of the Term:
  - [i] immediately by the Company 'for cause'; or
  - [ii] immediately by the Consultant if the Company fails to pay the consultancy fee or the Company becomes insolvent.

If the agreement is terminated for any reason other than the termination 'for cause' or resignation of the Consultant provided that the Consultant has provided the services for three months of the Term, the Consultant is entitled to 12 months' remuneration.

After the end of the Term, the agreement may be terminated by either party by providing 3 months notice to the other (or, if terminated by the Company, payment in lieu of such notice).

**Remuneration of non-executive Directors**

The non-executive Directors are entitled to receive cash remuneration for their services under the Constitution on and from the successful completion of the Offer, until otherwise determined by the Company in general meeting, the maximum aggregate amount of non-executive directors' fees will be \$200,000 per annum.

The Directors may divide that remuneration among themselves as they decide. The Directors have resolved that the non-executive Chairman will receive \$70,000 per annum and each of its non executive Directors \$35,000 per annum.

Directors are also entitled to be reimbursed for their reasonable expenses incurred in connection with the affairs of the Company. A Director may also be remunerated as determined by the Directors if that Director performs additional or special duties for the Company. A former Director may also receive a retirement benefit of an amount determined by the Directors in recognition of past services, subject to the Listing Rules and the Corporations Act.

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CHINA MAGNESIUM CORPORATION LIMITED

PROXY FORM

APPOINTMENT OF PROXY

I/We .....  
(name of shareholder)

being a member/s of CHINA MAGNESIUM CORPORATION LIMITED and entitled to attend and vote hereby appoint

the Chairman of the Meeting OR  Write here the name of the person you are  
(mark with an "X") appointing if this person is someone other than the  
Chairman of the Meeting

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of China Magnesium Corporation Limited to be held at Level 18, 300 Queen Street Brisbane, Queensland on 19 November 2010 at 10.00AM (Brisbane time) and at any adjournment of that meeting.

Voting directions to your proxy – please mark

		For	Against	Abstain*
Resolution 1	Re-election of Mr William Bass as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Mr Xinping Liang as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Adopt the Remuneration Report (non binding resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Execution

This section *must* be signed in accordance with the instructions below to enable your directions to be implemented.

Individual or Security holder 1

Sole Director and  
Sole Company Secretary

Security holder 2

Director

Security holder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /

# How to Complete the proxy Form

## 1. Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company.

## 2. Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

## 3. Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint on a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) Return both forms together in the same envelope.

## 4. Signing Instructions

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, all of the security holders should sign.

**Power of Attorney:** to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's share registry.

## Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below no later than 10.00AM on 17 November 2010, being 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

### Documents may be lodged with the Company:

**IN PERSON:-** CHINA MAGNESIUM CORPORATION LIMITED, Suite 203, Pivotal Point, Level 2, 50 Marine Parade, Southport QLD 4215

**BY MAIL:-** CHINA MAGNESIUM CORPORATION LIMITED, Suite 203, Pivotal Point, Level 2, 50 Marine Parade, Southport QLD 4215

**BY FAX:-** (07) 5597 1096

## PROXY AND VOTING INSTRUCTIONS

### Proxy Instructions

1. A member who is entitled to vote at a meeting may appoint one proxy if the member is only entitled to one vote and one or two proxies if the member is entitled to more than one vote.
2. Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the member's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise half of the votes in which case any fraction of votes will be disregarded.
3. The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or emailed which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be lodged at the registered office of the Company at Suite 203, Pivotal Point, Level 2, 50 Marine Parade, Southport QLD 4215 or sent by email to [proxies@chinamagnesiumcorporation.com](mailto:proxies@chinamagnesiumcorporation.com) not less than 48 hours before the time for holding the Meeting, or adjourned Meeting as the case may be, at which the individual named in the proxy form proposes to vote.
4. The proxy form must be signed by the member or his/her attorney duly authorised in writing or, if the member is a corporation, in a manner permitted by the Corporations Act 2001. A proxy given by a foreign corporation must be executed in accordance with the laws of that corporation's place of incorporation.
5. The proxy may, but need not, be a member of the Company.

A proxy form is attached to this Notice.

### Corporate Representatives

Any corporation that is a member of the Company may authorise (by certificate under common seal or other form of execution authorised by the laws of that corporation's place of incorporation, or in any other manner satisfactory to the chairperson of the Meeting) a natural person to act as its representative at any general meeting.

Dated: 18th October 2010  
By the order of the Board

Adam Gallagher  
Company Secretary