



China Magnesium Corporation Limited

Media/ASX Announcement

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CHINA MAGNESIUM COMPLETES MINIMUM 75% JOINT VENTURE EARN-IN

China Magnesium Corporation Limited (ASX : CMC) ("CMC" or the "Company"), which is set to become one of the largest, low cost, vertically integrated producers of magnesium and magnesium alloy in the world, announces that it has completed its earn-in of a minimum 75% interest in its Pingyao Magnesium Project at a discount to the price envisaged in the prospectus.

The Pingyao Magnesium Project is 100% owned by the Chinese joint venture company, Shanxi Luyuan Magnesium Company Limited ("CMC China"), in which CMC has earned its minimum 75% equity interest by making the final capital payment to CMC China of CNY13.43 million (A\$2.03 million). The contribution and equity interest has now been confirmed and approved by the Shanxi Administration for Industry and Commerce. This payment is in accordance with the prospectus. However, due to the increasing strength of the Australian dollar the contribution has reduced by almost A\$200,000 the AUD amount that CMC was required outlay to satisfy its capital contribution obligations.

CMC China will apply the latest capital contribution towards the upgrade and first phase expansion of the existing magnesium plant to 20,000tpa as outlined in the Company's IPO prospectus.

CMC chief executive officer, Mr Tom Blackhurst said that the successful completion of CMC's recent \$12 million IPO and its minimum 75% earn-in were significant milestones for the Company.

"We are now executing our plans to exploit the growing demand for magnesium and magnesium alloy to become one of the largest producers of pure magnesium and magnesium alloy in the world.

"We expect capital works to commence in early to mid December and expect to be able to release further announcements regarding key project milestones and developments over the next month.

"This is an exciting time for the Company and its shareholders, for whom we expect to deliver significant returns over the months and years ahead," said Mr Blackhurst.

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About CMC

CMC, through a minimum 75% ownership interest in a China based magnesium processing plant, plans to exploit the growing demand for magnesium and magnesium alloy by becoming one of the largest producers of pure magnesium and magnesium alloy in the world within three years, being strategically positioned in the major magnesium producing Shanxi province of Northern China.

CMC, through its interest in CMC China has a number of competitive advantages including an environmental permit to produce up to 105,000tpa of magnesium and magnesium alloy, access to key land, ownership of operational plant using proven minerals processing technology, access to skilled labour, close proximity to feedstock and strong local demand for products including a proposed automobile production plant in the area.

CMC has assembled a management team and commercial partners with significant expertise in minerals processing and conducting business in China, and these key personnel have aligned their interests with shareholders by having material shareholdings in CMC. The local community also has a vested interest in ensuring CMC's success, with the project receiving "preferred project" status by local authorities.



Location of the group's magnesium production operations in Pingyao, China

CMC Highlights

CMC is to become one of the largest producers of magnesium and magnesium alloy in the world.

Growing market – Roskill Consulting has forecast strong growth in the consumption of Magnesium (Mg) in coming years (~6%pa), particularly in the Mg alloy market (~8%pa). Magnesium is a superior and economic substitute for aluminium and many other applications. Importantly, Mg is used in the automotive, computer and consumer electronic markets, where China has a strong and growing manufacturing industry.

Proven production process – the process employed by CMC China, known as the Pidgeon process, is a proven, low-cost, and commercially robust process, positioning CMC China as a low-cost producer of Mg and Mg alloy.

Clear expansion strategy – the current processing plant (the Plant) in the Shanxi province of Northern China has produced magnesium and has a 'nameplate' capacity of 5,000tpa. The proposed fundraising will be used to refurbish this facility and construct an additional plant to reach an initial capacity of 20,000tpa before the end of CY2011. Expansion to 105,000tpa is intended to be funded from CMC China's operational cashflows and debt.

Strong competitive advantage – key permits are in place for the staged modular expansion to full capacity of up to 105,000tpa over ~3years, which would make CMC one of the world's largest magnesium producers. These permits, including an environmental permit and land access in one of the world's largest magnesium producing regions, are difficult to obtain, and provide CMC with a strategic position close to feedstock and customers.

Early cash flows – once the Plant is completed before the end of CY2011, CMC plans to begin processing dolomite sourced from the current feedstock supplier for the manufacture and sale of Mg to local parties. CMC is forecasting operating margins to exceed \$700/t based on the Company's assumptions which have been independently reviewed.