



LITHIUM SUPPLY COOPERATION AGREEMENT

Highlights:

-) Cooperation agreement with Qinghai Hengxinrong Lithium Technology Co., Ltd.
-) Qinghai owns a plant extracting lithium brine from Qinghai Salt Lake in western China, and is 51% owned by Shenzhen-listed Steyr Motors Co Ltd.
-) CMC to be granted priority offtake rights to battery-grade lithium carbonate.
-) Qinghai proposing to supply CMC with ~1,000 tonnes from mid-2017 at a commercially favourable price.
-) Agreement is a result of CMC's strengthening networks in China with both lithium processors and end users.

China Magnesium Corporation Limited ABN 14 125 236 731

ASX Code: CMC

Level 10, 12 -14 Marine Pde
Southport QLD 4215

P +61 7 5531 1808

F +61 7 5591 1059

info@chinamagnesiumcorporation.com

PO Box 3767

Australia Fair, QLD 4215

Issued Capital:

Shares - Quoted:

279,693,676 fully paid shares

Options - Quoted

42,335,432 exercisable at \$0.05
expiring 8 December 2017

Directors:

William Bass

(Non-Executive Chairman)

Tom Blackhurst

(Managing Director)

Xinping Liang

(Chief Operating Officer)

Peter Robertson

(Non-Executive Director)

Substantial shareholders:

Mr Tom Blackhurst 16.6%

Mr Shanxi Pingyao Fengyan

Group (Mr Wang Feng) 12.5%

Mr Liang Xinping 12.3%

Mr Jia Guicheng 6.1%

Mr Wu Jiepeng 5.5%

China Magnesium Corporation Limited (ASX: CMC; "CMC" or "the Company") is pleased to advise that its wholly owned subsidiary, CMC Commodities Pte Ltd, has entered into a cooperation agreement with Qinghai Hengxinrong Lithium Technology Co., Ltd ("Qinghai"), which is proposing to grant CMC priority offtake rights to battery-grade lithium carbonate.

Qinghai, which is 51% owned by Shenzhen-listed Steyr Motors Co Ltd, owns a plant extracting lithium brines from Qinghai Salt Lake in western China. The plant has a capacity to produce 20,000 tonnes of battery-grade lithium carbonate per annum. Qinghai has advanced technologies to produce lithium carbonate from both brine and hard rock sources.

The cooperation agreement is a framework agreement for establishing formal supply and sales contracts under which Qinghai is proposing to supply CMC Commodities with an initial 1,000 tonnes of battery grade lithium carbonate for delivery mid-2017 on a priority basis and at a commercially favourable price.

CMC managing director, Mr Tom Blackhurst, said that the cooperation agreement is a result of CMC's growing strategic relationships in China, including organisations involved in lithium mining, processing, and end users such as manufacturers of lithium-ion batteries.

"CMC is one of only two companies to have secured such an agreement with Qinghai.

"With the government of China strongly supporting the new energy industry, demand for raw lithium carbonate in China – which is already in tight supply – is expected to increase significantly.

"This is a vote of confidence by Qinghai in CMC's growing networks within China's lithium industry, particularly end users," said Mr Blackhurst.

ENDS