



China Magnesium Corporation Limited

ASX Announcement (ASX- CMC)

29 December 2011

PRACTICAL COMPLETION - PHASE 1 AND EXPIRY OF OPTIONS

China Magnesium Corporation Limited (ASX: CMC) (“CMC” or the “Company”), which plans to become one of the largest, low cost, vertically integrated producers of pure magnesium and magnesium alloy in the world, announces.

KEY INFORMATION

- A certificate of Practical Completion has been issued by the Pingyao Development and Reform Commission in respect of the Phase 1 Upgrade and First Phase Expansion to 20,000 tonnes per annum (tpa) at the Company’s magnesium production facility in northern China
- The Practical Completion has been achieved on time and within the budget of RMB 52.6 million, despite 88 days of rain during the construction period from April to December 2011. Without the exceptional commitment of staff in Pingyao the weather conditions could easily have forced the Company to invoke the Force Majeure provision relating to Phase 1 as outlined in the IPO prospectus.
- As a consequence of the practical completion within budget, the 12 million unlisted options which were issued at the Company’s IPO cannot be exercised and now expire.

Practical Completion of Phase 1 sets the Company on track to:

- commission the plant during the March quarter of 2012;
- ramp up production to approximately 20,000 tonnes per annum (“tpa”) by June 2012;

The Company holds the largest permit granted in China for magnesium production and has now demonstrated that it can mobilise the resources to capitalise on being fully permitted to 105,000tpa. That level of production would be the largest in the world.

In commenting on the milestone, Mr Tom Blackhurst, Managing Director of CMC said:

“The Company has achieved practical completion of Phase 1 despite some quite significant delays caused by rain and snow events during construction. I cannot speak highly enough of the work ethic and determination of the team we have been fortunate enough to assemble in Pingyao.

We have demonstrated that we have the know-how, management expertise, and local relationships to be an effective operator in China, which augers well for our goal of building a world-leading magnesium company.”

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DELIVERING ON EXPECTATIONS

In just over a year since its IPO, CMC has:

- increased its share of the magnesium joint venture from 31% to 90.7%
- upgraded an existing magnesium production plant and produced 485 tonnes of pure magnesium
- acquired 60,000 M² of land for the Phase One expansion to 20,000tpa
- exercised an option to acquire the Baiyun dolomite quarry, which currently supplies the magnesium production facility
- entered into an agreement to purchase a profitable ferrosilicon producer, increasing early profit and cashflow for the Company while assuring supply of a primary input material which accounts for 40% of magnesium production cost
- achieved practical completion of the Phase One Expansion to 20,000tpa

The acquisition of the ferrosilicon production company will take the vertical integration of the Company's operations well beyond what was envisaged for this stage of its development.

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Forward looking statements

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