



China Magnesium Corporation Limited

ASX Announcement (ASX- CMC)

23 February 2012

SHARE ISSUE TO COMPLETE FERROSILICON ACQUISITION

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 that it has agreed to make a \$4.6 million placement to Asian based fund managers and private equity groups at a significant premium to CMC's recent share market price.

A total of 15,216,000 fully paid ordinary shares will be issued pursuant to the agreement at \$0.30 per share to raise \$4.6 million before costs. This compares to a closing share price of \$0.27 per share on 20 February 2011, representing an 11% premium.

The funds raised by the placement will be used to complete the acquisition of 100% of the issued shares in Ningxia Tianjing Tianda Metallurgical Smelting Co Ltd (NTTMS), which operates an established, profitable ferrosilicon plant located in the Ningxia province of northern China (refer to CMC announcement dated 8 November 2011). CMC and representatives of the vendor are currently seeking the necessary regulatory approvals to enable completion, which is expected to be during March.

The placement agreement also provides for the investors to subscribe for a second tranche of 14,285,714 fully paid ordinary shares at \$0.35 which would raise a further \$5 million before costs. The second tranche is subject to shareholder approval, which is expected to occur at or before the next annual general meeting. The funds from the second tranche are expected to assist with securing other acquisition opportunities in the region.

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

"The placement, at a significant premium to the prevailing market price, is testament to the confidence that Asia-focussed investors have in CMC to capitalise on opportunities as they present themselves and deliver results in the region.

NTTMS is already a profitable operation and its purchase by CMC is an outstanding opportunity which secures supply of an important raw material, provides an immediate source of cash flow within China and provides a vehicle to raise funds within China for future expansion."

While the Company has previously indicated a preference to debt fund the bulk of the ferrosilicon plant acquisition, this equity funding will ensure that the Company's balance sheet remains strong so it has the financial capacity – including the capacity to take on internal Chinese debt – to fund operating, expansion or other growth activities.

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Forward looking statements

Certain statements in this announcement are forward looking statements, which are current only as at the date of this announcement and, by their nature, are subject to a number of known and unknown factors that could cause the actual results, performances and achievements to differ materially from any expected future results, performance or achievements expressed or implied by such forward looking statements. No representation, warranty or assurance (express or implied) is given or made – by CMC, its related companies and their respective directors, employees and advisers – that the forward looking statements contained in this announcement will be achieved or prove to be correct.

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About CMC

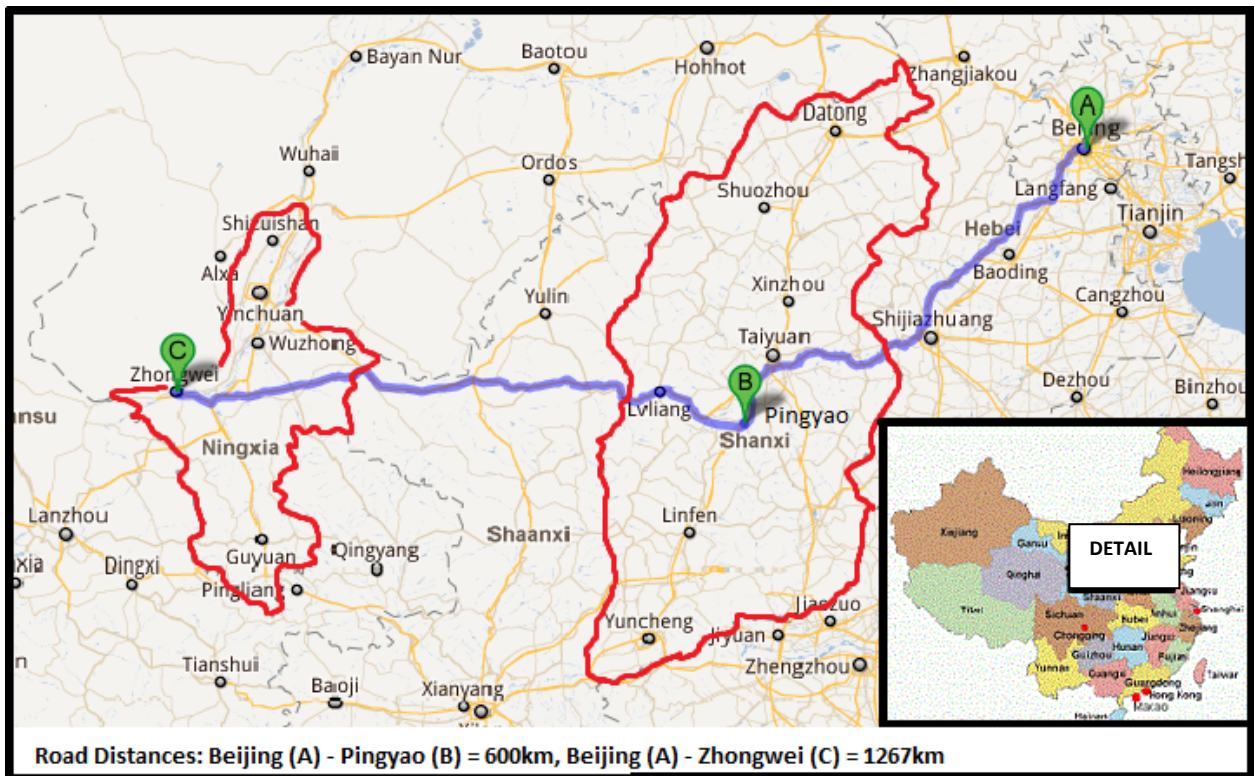
CMC, through its 90.7% interest in Shanxi Luyuan Magnesium Corporation (“SLMC”) which owns a China based magnesium processing plant, plans to exploit the growing demand for magnesium and magnesium alloy by becoming one of the largest producers of pure magnesium and magnesium alloy in the world within three years. SLMC is strategically positioned in the major magnesium producing Shanxi province of Northern China.

The Company intends to expand magnesium production to 105,000 tpa over three phases: 20,000tpa (Phase One – practical completion now achieved); 55,000tpa (Phase Two); and then 105,000tpa (Phase Three). Phase Two and Three expansions will be funded from cashflow and local debt and the timing of completion will be subject to demand and funding availability.

CMC, through its interest in SLMC, 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 new automobile production plant under construction in the area. The local community also has a vested interest in ensuring CMC’s success, with the magnesium project receiving Preferred Project status by local authorities.

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.

CMC plans to increase vertical integration of its magnesium and magnesium alloy production whenever opportunities are available at favourable entry levels. The pending purchase of a dolomite quarry and a ferrosilicon producer (*ASX announcements 4 May and 8 November 2011*) account for two of the three primary upstream inputs. CMC will also integrate downstream by combining the production of magnesium alloy with the production of pure magnesium when the Phase One expansion of its plant is commissioned.



*Location of the CMC China’s magnesium production operations in Pingyao, **B** and ferrosilicon plant acquisition in Zhongwei, **C** northern China*

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