



China Magnesium Corporation Limited

ASX Announcement (ASX- CMC)

29 February 2012

COMPANY UPDATE

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 provides the following update regarding its operations.

Magnesium operation (90.7% owned)

During the period to 31 December 2011 the Company upgraded an existing magnesium plant and achieved practical completion of the Phase 1 plant expansion ("Phase 1") to create production capacity of 20,000 tonnes per annum ("tpa").

Practical Completion of Phase 1 sets the Company on track to commission the plant and ramp-up production to approximately 20,000 tpa by 30 June 2012.

Dolomite Quarry (acquiring 90.7%)

Conditions-precedent for the acquisition of the Baiyun dolomite quarry, which currently supplies the magnesium operation, have been met and the acquisition is expected to be completed in late March or early April.

Ferrosilicon operation (acquiring 100%)

Further to announcements during the period, the Company advises that it has funding in place to finalise the acquisition of 100% of the issued shares in Ningxia Tianjing Tianda Metallurgical Smelting Co Ltd ("NTTMS"), which operates a ferrosilicon plant located in the Ningxia province of northern China. The vendor is a subsidiary of a state-owned provincial electricity company.

CMC will continue to run the new plant as a stand-alone ferrosilicon producer. The plant capacity is 59,000tpa of ferrosilicon and will continue to supply existing domestic Chinese and export customers as well as supplying CMC's magnesium operations.

Funding

A recently announced placement of shares at \$0.30 per share (11% premium to the price prior to the announcement) will raise \$4.5M, primarily toward acquisition of the NTTMS ferrosilicon operation.

The investors who participate in the placement intend to subscribe for a second tranche of 14.2M shares at \$0.35 per share (30% premium to the price prior to the announcement), raising an additional \$5M. The timing of the second tranche is subject to shareholder approval.

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Expansion and future acquisitions

The Company is conscious of the need to balance development of existing operations with the acquisition of new projects. It is also committed to maximising shareholder value from potential acquisitions which arise as a result of its presence, experience and contacts in the region.

For further information, please contact:

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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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