



China Magnesium Corporation Limited

ASX Announcement (ASX- CMC)

25 June 2012

OPERATIONS UPDATE AND PLACEMENT

Highlights:-

- Full magnesium production ramp up anticipated by 30 October 2012
- Dolomite quarry acquisition completed and now in operation
- Acquisition approval for ferrosilicon business well progressed with Ningxia Provincial Government
- Placement of \$3.6M at 30 cents per share (premium of 62% to last closing price)

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 provides the following update regarding its operations:-

Magnesium operation (90.7% CMC)

Final commissioning of the plant is subject to finalization of negotiations with a number of Chinese banking institutions. Negotiations are at an advanced stage, and no issues are anticipated to complete them and commence ramping up of production. However it is now likely that full production ramp up to 20,000tpa will not be achieved until 30 October 2012.

Dolomite quarry (90.7% CMC)

The completion of the Baiyun dolomite quarry was announced to the market on 30 April 2012 and the quarry is now in operation, currently selling dolomite into local markets.

Placement and Ferrosilicon operation (to be acquired)

The Company has today issued 11,877,613 shares to Asian-based investment groups to raise A\$3.6 million at A\$0.30 per share – a 62% premium to the most recent closing price of the Company’s shares on ASX. The balance of approximately \$1million to complete the previously announced placement tranche of \$4.6 million, is anticipated to be concluded on or before the acquisition of Ningxia Tianjing Tianda Metallurgical Smelting Co Ltd (“NTTMS”).

CMC has funding in place to finalise the acquisition of NTTMS. The approvals for the acquisition from Ningxia Provincial Government are progressing well, and CMC anticipates that final authorization will be received in about 45 days

Commenting on the above matters, CMC Managing Director, Mr Tom Blackhurst said:

“This capital raising is at a significant premium to the prevailing share price, and during a very difficult time for the capital markets. It is a very strong vote of confidence in CMC by Asian-based investment groups.

Conducting business in Asia is very different to, and in some respects more challenging than is typical in the West., but these investors have a robust understanding of Asian business practices, opportunities, risks and rewards.

I thank our shareholders for their continued support of CMC.”

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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