

## NON-RENOUNCEABLE RIGHTS ISSUE AND NOTICE UNDER SECTION 708AA(2)(F)

China Magnesium Corporation Limited (ASX: CMC; "CMC" or "the Company") is pleased to announce a pro rata non-renounceable rights issue of fully paid ordinary shares to be issued at \$0.04 each (a 14% premium to the closing market price of 3.5 cents per share on Friday, 18 October) on the basis of one (1) new Share for every ten (10) Shares held at the record date ("Offer").

As at the date of this offer document and assuming no additional shares are issued before the record date, up to approximately 14,421,449 new shares may be issued pursuant to the Offer, raising up to approximately \$576,858 (before the expenses of the Offer). The primary purpose of the Offer is to (and the funds raised from the Offer are intended to be used to) provide the Company with additional working capital.

Shareholders who are registered as at 5.00pm WST Wednesday 30 October 2013 ("Record Date") will be eligible to participate in the Offer.

Mr Xiping Liang (a director of the Company) has agreed to partially underwrite any shortfall to the Offer up to a maximum of \$50,000 (ie, up to 1,250,000 Shares). This commitment does not include any Shares that Mr Liang may subscribe for pursuant to any entitlements Mr Liang will receive as an existing shareholder as at the Record Date.

The Company will make the offer without a prospectus pursuant under section 708AA(2)(f) of the Corporations Act 2011 (Cth) as modified by ASIC Class Order 08/35 (CO 08/35) (the "Act").

### Indicative Timetable

An indicative timetable for the Offer is set out below:

"Ex" date	24 October 2013
Record Date (5:00pm EST)	30 October 2013
Dispatch of entitlement and acceptance form and offer documents	1 November 2013
Closing date for acceptances (5:00pm EST)	18 November 2013
Issue date; dispatch of holding statements	21 November 2013

*\* The above dates are indicative only. Notwithstanding any provision of this announcement or any offer document, and to the fullest extent permitted by law, the Company may, from time to time and without giving any notice, abridge or further abridge, extend or further extend any period or vary or further vary any date or time period referred to in this offer document to such earlier or later date or for such period as the Company thinks fit whether or not the date to be varied has passed or the period to be extended has expired.*

### Section 708AA(2)(f) notice

For the purposes of section 708AA(7) of the Act, the Company also advises:

- a) the new Shares will be issued without disclosure to investors under Part 6D.2 of the Act;
- b) this notice is given under section 708AA(2)(f) of the Act;
- c) as at the date of this notice, the Company has complied with:
  - i) the provisions of Chapter 2M of the Act as they apply to the Company; and
  - ii) section 674 of the Act;

- d) as at the date of this notice, there is no excluded information of the type referred to in sections 708AA(8) and 708AA(9) of the Act; and
- e) the potential effect that the rights issue will have on the control of the Company is as follows:
- iii) if all eligible shareholders take up their entitlements for new shares, the rights issue will have no material effect on the control of the Company and all shareholders will hold approximately the same percentage interest in the Company;
  - iv) in the event that there is a shortfall:
    - A. any ineligible shareholders and eligible shareholders who do not subscribe for their full entitlement under the Offer will be diluted relative to those shareholders who subscribe for their full entitlement; and
    - B. if some or all of the shares comprising the shortfall are issued, the voting power of persons who may receive those shares (including the underwriter) will increase accordingly. Assuming no further shares are issued prior to the Record Date, the maximum increase in any person's voting power (assuming that no eligible shareholders accept their entitlements) would be approximately 9.1% (ie, 9.1% of the votes held by all shareholders).

An example of the effect of the Offer and its underwriting on the current voting power the Company's existing substantial shareholders is set out below (assuming only the specified substantial shareholder accepts their entitlement, that no other shareholders accept their entitlement, and that the underwriter subscribes for the shortfall in accordance with its underwriting commitments):<sup>1</sup>

Substantial holder	Current relevant interest in shares	Current voting power	Voting power upon completion of the rights issue
Mr Thomas Blackhurst	24,437,893	16.9%	18.3%
Mr Xinping Liang (underwriter)	12,160,000	8.4%	10.0%
Mr Ming Li	12,000,000	8.3%	9.0%
Mr Guicheng Jia	12,000,000	8.3%	9.0%

1. *Subject to the Act, the Company will not be obliged to return application monies or give accepting shareholders the opportunity to withdraw their application merely because the final status of shareholdings upon completion of the rights issue would be different to that set out in the table above or there being one or more substantial shareholders not include in the above table.*
2. *Assumes no further share issues from the date of this notice other than shares issued pursuant to the Offer, and that none of the abovementioned persons acquire shares other than pursuant to the Offer or dispose of any shares.*

- f) The consequences of the potential effect on control (as described in paragraph (e) above) are expected to be immaterial.

ENDS

For personal use only