



China Magnesium Corporation Limited

(ABN 14 125 236 731)

ASX Code: CMC

OFFER DOCUMENT

For a pro rata non-renounceable rights issue of fully paid ordinary shares at \$0.04 each on the basis of one (1) share offered for every ten (10) shares held at the Record Date, raising up to approximately \$576,858 (before the expenses of the Offer).

INDICATIVE TIMETABLE

Date of this offer document	21 October 2013
"Ex" date	24 October 2013
Record Date	30 October 2013
Closing date for acceptances (5:00pm EST)	18 November 2013
Issue date; dispatch of holding statements	21 November 2013

Other than the date of this offer document, the above dates are indicative only. Notwithstanding any provision of this 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.

IMPORTANT INFORMATION

It is important that you read the whole of this offer document. The Company recommends you consult with your professional advisors before deciding whether or not to apply for Shares.

Definitions (usually with the first letter capitalised) appear both throughout the body of this offer document (refer bolded terms other than headings) as well as in section 5.

An investment in the Shares should be considered speculative and involves inherent risks.

This document is not a prospectus

This offer document has been prepared in accordance with section 708AA of the Corporations Act (as modified by ASIC Class Order 08/35) and does not require disclosure under a disclosure document. The level of disclosure in this offer document is significantly less than that required under a prospectus, and it does not contain all of the information which a prospective investor would find in a prospectus or which may be required to make an investment decision regarding, or about the rights attaching to, the Shares offered by this offer document.

Jurisdiction of Offer

If you are an Overseas Applicant or if this offer document has been or intended to be provided, dispatched to, or accessed electronically outside Australia, please refer to section 5. No action has been taken by the Company to ensure the offer of Shares under this offer document is compliant in any jurisdiction other than Australia.

1. DETAILS OF THE OFFER

1.1 Amount to be raised

This offer document is for the offer ("Offer") of new Shares, at an issue price of \$0.04 each, pursuant to a pro rata non-renounceable rights issue on the basis of one (1) new Share for every ten (10) Shares held at the Record Date. 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).

Should any Entitlements not be taken up, the Directors do not intend to (but reserve the right to do so in their absolute discretion) issue any of the resulting shortfall shares except in accordance with the underwriting agreement described in section 1.7.

1.2 No minimum subscription

There is no minimum amount that must be raised or minimum number of new Shares which must be applied for pursuant to the Offer before new Shares will be issued.

1.3 Acting On Your Entitlement

Your Entitlement is indicated on the *Entitlement and Acceptance Form* accompanying this offer document. As a holder of Shares at the Record Date, you may participate in the Offer as follows:

- a) accept your Entitlement in whole or in part by:
 - i) completing the *Entitlement and Acceptance Form* and forwarding the completed form, together with payment for the amount due in respect of Shares applied for, to reach the Company's Share Registrars no later than the Closing Date; or
 - ii) pay the amount due in respect of new Shares applied for, calculated at 4 cents (\$0.04) per new Share, by BPAY no later than the Closing Date,in accordance with the instructions set out on the *Entitlement and Acceptance Form*; or
- b) do nothing, in which case you will receive no benefit from your Entitlement and your percentage holding in the company will be diluted by the Offer.

Subject to applicable laws and the Listing Rules, the Company will, in its absolute discretion, accept and/or reject any application in whole or in part.

1.4 Application monies

If your application is rejected in whole or in part, the amount tendered in respect of Shares that are not issued pursuant to your application will be repaid to you, without interest.

1.5 Issue of Shares

The banking of application monies does not constitute either processing or acceptance of your application. If your application is accepted, in whole or in part, the Company will issue Shares (to the extent accepted) pursuant to your application and dispatch either an issuer sponsored holding statement or a CHESS statement (together with any excess application monies) to you as soon as practicable after the closing date (required under the Listing Rules to be within 6 business days of the Closing Date unless ASX agrees otherwise). It is your responsibility to ascertain your allocation (if any).

1.6 Stock exchange listing

The Company intends to apply for the Shares issued pursuant to the Offer to be quoted on ASX.

1.7 Underwriter and key terms

Mr Xiping Liang ("Underwriter"; a director of the Company) has agreed, pursuant to an underwriting agreement with the Company dated 18 October 2013, 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 the Underwriter may subscribe for pursuant to any Entitlements. There are no fees or commissions payable pursuant to the underwriting agreement and no termination events are explicitly stated in the underwriting agreement.

If no other Shareholders accept their Entitlement, Mr Liang's voting power in the Company could increase from 8.4% to approximately 10.0%.

2. RIGHTS ATTACHING TO SHARES

All Shares to be issued pursuant to this offer document will be issued as fully paid ordinary shares in the capital of the Company and will rank equally with existing fully paid ordinary shares currently on issue.

3. RECENT TRADING HISTORY

The closing market price of Shares on ASX on the business day immediately preceding the date of this offer document was 3.5 cents (\$0.035) per Share on 18 October 2013. Further information about the recent trading history of the Shares can be found on the ASX's website (www.asx.com.au).

4. PURPOSE AND EFFECT OF OFFER

4.1 Purpose 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. The Company reserves the right to raise additional equity capital at any time.

4.2 Effect on financial position

Assuming that the Offer is fully subscribed and no further Shares are issued prior to the Record Date, the Company's cash reserves, contributed equity, total assets and net assets will increase by approximately \$566,858, which is the amount that would be raised pursuant to the Offer (approximately \$576,858) less the estimated expenses of the Offer (up to approximately \$10,000). If the Offer is not fully subscribed, the aforementioned effect on the Company's cash reserves, contributed equity, total assets and net assets will be reduced by the amount of the ultimate shortfall.

4.3 Effect on capital structure

The capital structure of the Company following Completion of the Offer (assuming that the Offer is fully subscribed) is summarised below.¹

Shares	Number
Shares on issue at the date of this offer document	144,214,490
Shares to be issued pursuant to the Offer ²	14,421,449
Shares on issue upon Completion of the Offer¹	158,635,939

¹ If the Offer is not fully subscribed, the Shares on issue following Completion of the Offer will be reduced by the under subscribed amount.

² Approximated assuming 144,214,490 Shares are on issue as at the Record Date. The actual number of Shares to be issued may be greater or less than this amount.

5. OVERSEAS APPLICANTS AND DISTRIBUTION

This offer document does not constitute an offer or invitation:

- a) in any jurisdiction where, or to any person to whom, it would be unlawful to issue this offer document; or
- b) to any person to whom, it would not be lawful to make such an offer or invitation.

Where this offer document is received or accessed in any such jurisdiction or by any such person, it is provided for information purposes only. No action has been taken to register or qualify the Shares, or the Offer, or otherwise to permit the public offering of the Shares, in any jurisdiction outside Australia.

The distribution of this offer document within jurisdictions outside Australia may be restricted by law and persons into whose possession this offer document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. It is the responsibility of any Overseas Applicant to ensure compliance with all laws of any country relevant to his or her application, or country of receipt of this offer document, and to obtain all necessary approvals so that they may legally subscribe for (and be issued) securities pursuant to the Offer.

In making an application you represent and warrant for the Company's and the Underwriter's benefit and for the benefit of the Company's and Underwriter's officers, employees, agents and advisers (and, to the maximum extent permitted by law, indemnify the Company, the Underwriter, and the Company's and Underwriter's officers, employees, agents and advisers for any loss or damage caused if such representation or warranty proves to be inaccurate) that there has been no breach of any law by reason of that application being made, that all necessary approvals and consents to the making of that application have been obtained and that the Company may legally offer and issue securities to the applicant pursuant to this offer document. Overseas Applicants must consult with their professional advisors as to whether any formalities need to be observed (either by themselves or the Company) to enable them to subscribe for the securities being offered pursuant to this offer document.

5.1 Privacy Act

By completing an application form accompanying this offer document, you will be providing personal information to the Company (and its share registrar). The Privacy Act 1988 (Cth) governs the use of your personal information and sets out principles governing the ways in which organisations should treat that information. The personal information to be collected on an application form accompanying this offer document will be used to evaluate applications for Shares and, if your application is successful, to administer your security holdings, provide services to you and otherwise effect appropriate

administration for security holders. If the Company is obliged to do so by law, personal information will also be passed on to other parties.

In making an application, you agree that the Company may use the information provided on your application form for the purposes here disclosed and may disclose it for those purposes to the Underwriter, the Company's share registrar, related bodies corporate, agents, contractors, employees, servants, and third party service providers, including without limitation, mailing houses, professional advisers, ASX, other shareholders and regulatory authorities.

The Corporations Act requires the Company to include information about security holders (including name, address and details of securities held) in its public register. The information contained in the Company's public register must remain there even if that person ceases to be a security holder. Information contained in the Company's public register is also used to facilitate distribution payments and corporate communications (including financial results, annual reports and other information that the Company may elect to utilise to communicate with its security holders) and compliance by the Company for legal and regulatory requirements. For instance, in certain circumstances details of security holder's names and holdings must be disclosed by the Company in its annual reports.

An applicant has a right to gain access to the information that the Company holds about that person subject to certain exemptions under the law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

6. DEFINITIONS

In this offer document, unless the context otherwise requires:

"A\$" and "\$" means Australian dollars, unless otherwise stated.

"ASIC" means Australian Securities and Investments Commission.

"ASX" means ASX Limited (ACN 008 624 691).

"Board" means the board of Directors of the Company as constituted from time to time.

"Closing Date" means 18 November 2013.

"Company" or "CMC" means China Magnesium Corporation Limited (ABN 14 125 236 731).

"Completion of the Offer" means the issue of any securities offered pursuant to this offer document.

"Corporations Act" means the Corporations Act 2001 (Cth).

"Director" means a director of the Company.

"Entitlement" means the entitlement of an eligible holder of Shares to new Shares under the Offer. Fractional entitlements will be rounded up to the nearest whole number.

"Listing Rules" means listing rules of the ASX.

"Overseas Applicant" means a person making an application for securities pursuant to the Offer from outside Australia.

"Offer" means the invitation to apply for Shares as described in section 1.1.

"Record Date" means 30 October 2013.

"Underwriter" means Mr Xinping Liang, who is a Director of the Company.

"Share Registrar" means Security Transfer Registrars Pty Limited.

"Share" means a fully paid ordinary share in the capital of the Company.

"Shareholder" means a holder of shares in the capital of the Company.

"EST" means Eastern Standard Time, Queensland, Australia.