



INVESTMENT AND CO-OPERATION AGREEMENT UPDATE

Highlights:

- A\$2.7m placement to Fengyan awaiting confirmation of SLMC name change to SYMC.
- No delays to completion of semi-coke facilities are currently anticipated.
- Parties working together cooperatively to ensure minimum disruption.
- Establishment of other management and co-operation arrangements are proceeding as originally agreed.

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Issued Capital:

Shares - Quoted:

149,710,454 fully paid shares

Share price (15/1/14): 5.5 cents

Market cap: A\$8.2m

Directors:

William Bass

(Non-Executive Chairman)

Tom Blackhurst

(Managing Director)

Xinping Liang

(Chief Operating Officer)

Peter Robertson

(Non-Executive Director)

Substantial shareholders:

Mr Tom Blackhurst 18.0%

Mr Xinping Liang 9.7%

Mr Guicheng Jia 8.0%

Mr Ming Li 8.0%

China Magnesium Corporation Limited (ASX: CMC; "CMC" or "the Company") provides the following update in relation to the investment and co-operation agreement with Shanxi Pingyao Fengyan Coal & Coke Group Company Limited ("Fengyan") announced on 17 December 2013.

The agreement provided for, amongst other matters, an RMB15 million (~A\$2.7 million) placement in CMC to Fengyan for 12% of CMC's enlarged share capital (approximately \$0.13 per share) by 7 January 2014. It also provided for CMC to change the name of its subsidiary company from Shanxi Luyuan Magnesium Company Limited ("SLMC") to Shanxi Yushun Magnesium Company Limited.

However, the name change – which was also provided to occur by 7 January - has been delayed pending the necessary sign offs by local bodies, and the placement has also been delayed as a result. Although CMC is unperturbed by the disruption and such sign offs could be imminent, with Chinese New Year approaching it is conceivable that the name change, and therefore the placement, may not be completed until late February or early March.

Despite the delay to the name change and placement, CMC is not currently anticipating any delay to the early May completion of the new semi-coke crackers and both parties are continuing to implement matters covered by the agreement in a spirit of mutual co-operation and commitment. For example:

- a) both parties are jointly in the process of finalizing the contractor to build the semi-coke crackers;
- b) both parties are in discussions with local banks to finalise working capital arrangements (which are now expected to be significantly lower – refer to the 17 December 2013 announcement); and
- c) Fengyan representatives have been appointed to certain key management and operational positions in SLMC.

In the agreement with Fengyan both parties explicitly acknowledged that there would be many unexpected matters and events that may occur after signing the agreement, and both parties agreed to do their best to resolve any unforeseen matters in a spirit of mutual understanding and co-operation. The manner in which both parties are responding to the delay of name change and the placement is consistent with those acknowledgements and undertakings. Fengyan and CMC remain committed to developing CMC into one of the world's largest, integrated, low cost, magnesium producers.

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