



China Magnesium Corporation Limited

1 November 2016

Dear Shareholder

\$2M NON-RENOUCEABLE RIGHTS ISSUE OF SHARES AND LISTED OPTIONS

China Magnesium Corporation Limited (**Company**) is pleased to provide you with the following information about a pro rata non renounceable rights issue of fully paid ordinary shares at \$0.025 each offered on the basis of one (1) new share for every 2.4378 shares held at the Record Date, together with one free listed option (exercisable at \$0.05 on or before 8 December 2017) for every two (2) new shares offered. Total underwriting and firm commitments for the offer already amount to over \$1.5 million.

The purpose of the issue is to provide the Company with additional general working capital and flexibility for growth – in particular, to further its existing Australian and Chinese operations and, if thought fit, to put it in a stronger position to build capacity and acquire assets in industries which leverage the Company's strengths and advantages. One such industry, where CMC has developed key strategic relationships, is with organisations involved in lithium mining, processing, the manufacturing of lithium-ion batteries and energy storage.

Since securing the Greenbushes lithium project, (funded via CMC's Chinese network) our relationships have grown considerably. This includes Mr. Wu Jiepeng, Mr. Wang Fengjin, Mr. Wang Yuping and Mr. Ma Yingzhe who have agreed to partially underwrite over \$800,000 of any shortfall to the Offer. Having additional funds on hand will ensure the Company is in a stronger position to capitalise on future suitable opportunities that may present themselves in this regard. Although CMC remains focused on becoming a large, low cost, integrated producer of magnesium, semi coke, tar oil and other industrial products, we have and will continue to take advantage of any synergistic or value-adding opportunities as they present themselves.

The rights issue is also partially underwritten by Messrs Xiping Liang and William Bass (Directors of the Company) up to a maximum of \$127,000. In addition to the underwriting by the Directors and Messrs Wu, Wang, Wang and Ma, the Company has received separate firm commitment undertakings from each Director that they will subscribe for the full entitlements offered in relation to their relevant interests in the Company. As at the date of this letter those entitlements amounted to over \$600,000 in total, bringing the total underwriting and firm commitment amounts to over \$1.5 million already.

The Company therefore encourages you (and is sending you this notice in advance) to be ready so that your acceptance is validly received by the 23 November 2016 closing date should you wish to accept.

The Company's shares will be quoted on an 'ex' basis from 3 November 2016. Any shares bought on market on and after this date will not be entitled to participate in the rights issue.

The prospectus is available to download from both the ASX website (www.asx.com.au) and the Company's website (www.chinamagnesiumcorporation.com), and will be mailed to eligible shareholders with personalised Entitlement and Acceptance Forms on or about 8 November 2016. See the prospectus and the form for further details on accepting the offer.

An indicative timetable for the Offer is set out below:*

"Ex" date	3 November 2016
Record Date (7:00pm EST, Queensland)	4 November 2016
Dispatch of entitlement and acceptance form with prospectus	8 November 2016
Closing date for acceptances (7:00pm EST)	23 November 2016
Issue date; dispatch of holding statements	30 November 2016

** These dates are indicative only. Notwithstanding any provision of this notice or the prospectus or announcement, 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 letter 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.*

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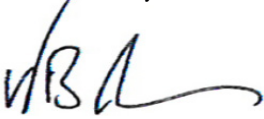
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No underwriting fees are payable, there is no broker to the issue and no handling fees are intended to be payable to brokers who lodge acceptances on behalf of shareholders. The maximum number of new shares to be issued is up to approximately 80,000,000 new shares and 40,000,000 new options, which would raise up to approximately \$2 million (excluding any funds from the exercise of options) and would result in total issued shares and options in the Company of approximately 275,022,849 and 40,000,000 (respectively) if fully subscribed.

It is intended that new shares and options issued as a result of entitlements taken up will be quoted on ASX and that the new shares will rank equally with existing issued ordinary shares of the Company. There are no options (quoted or otherwise) presently on issue but the options will form a new class of quoted securities. The rights issue does not require shareholder approval.

The offer will be available to each shareholder registered on the Company's register of members at the record date except those with a registered address in the United States of America ("**Eligible Shareholders**"). Fractions of shares will be rounded up to the nearest whole number. Holdings on different registers (or subregisters) will not be aggregated for calculating entitlements.

Yours faithfully,



Tom Blackhurst
Managing Director

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