



China Magnesium Corporation Limited

23 October 2018

Dear Shareholder

\$7.8M NON-RENOUCEABLE RIGHTS ISSUE OF SHARES AND UNLISTED OPTIONS

China Magnesium Corporation Limited (**Company**) (ASX:CMC) is pleased to provide you with the following information about a pro rata non renounceable rights issue of fully paid ordinary shares at \$0.05 each offered on the basis of one (1) new share for every two (2) shares held at the Record Date, together with one free unlisted option (exercisable at \$0.10 on or before 15 February 2019) for every one (1) new share offered.

The purpose of the issue is to provide the Company with additional general working capital and flexibility to further its existing Australian and Chinese operations and, if through fit, to put it in a stronger position to build capacity and acquire assets in industries which leverage the Company's strengths and advantages. This is likely to include expenditure on or related to:

- the Company's corporate expenses in Australia and China; and
- other general working capital, including working capital for the Company's magnesium-lithium plant in China.

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 12 November 2018 closing date should you wish to accept.

The Company's shares will be quoted on an 'ex' basis from 24 October 2018. 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 30 October 2018. 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	24 October 2018
Record Date (7:00pm EST, Queensland)	25 October 2018
Dispatch of entitlement and acceptance form and prospectus	30 October 2018
Closing date for acceptances (7:00pm EST)	12 November 2018
Issue date	19 November 2018

** The above dates are indicative only. Notwithstanding any provision of this notice (or any offer document 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 time period has expired*

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 157,448,517 new shares and 157,448,517 new options, which would raise up to approximately \$7.8 million (excluding any funds from the exercise of options) and would result in total issued shares and options in the Company of approximately 472,345,551 and 157,448,517 (respectively) if fully subscribed.

It is intended that new shares 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. The new options will not be listed on ASX. There are no options (quoted or otherwise) presently on issue and the options will form a new class of securities. The rights issue does not require shareholder approval.

Office: Level 10, Seabank Building, 12-14 Marine Parade, Southport, Queensland 4215, Australia

T: +61 (07) 5531 1808 | F: +61 (07) 5591 1059 | E: info@chinamagnesiumcorporation.com | www.chinamagnesiumcorporation.com

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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 sub registers) will not be aggregated for calculating entitlements.

Yours faithfully,



Tom Blackhurst
Managing Director

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