

## CHINA MAGNESIUM CORP SECURES LAND RIGHTS TO EXPAND MAGNESIUM PROJECT

Key Point:

- China Magnesium Corp formally granted land rights in Pingyao, Shanxi Province for first phase expansion to 20,000 tonnes per annum (tpa) of magnesium

China Magnesium Corp. Ltd (ASX: CMC), which is set to become one of the world's largest, low cost, vertically integrated producers of magnesium and magnesium alloy, said its Chinese subsidiary (CMC China) has been formally granted the 50 year land use rights required for its first phase expansion of the Pingyao Magnesium Project.

CMC Managing Director Tom Blackhurst said the granting of the land rights, which cover 60,000 M<sup>2</sup> adjacent to the existing plant, enables CMC China to start capital works for the first phase expansion of the Pingyao Magnesium Project by 15,000tpa to 20,000tpa this year.

By 2013, CMC is targeting 105,000tpa at the project.

Mr Blackhurst said the Pingyao County Government has provided extraordinary support in assisting the Company to secure the land rights in such a short time after the completion of the Company's IPO.

Obtaining land rights can be a complex process and in lending its support the Pingyao County Government has reaffirmed the projects "preferred project" status given by local authorities. The 'preferred project' status recognises the significant economic and social benefits set to flow to the local community as a result of the expansion of the group's magnesium processing facilities.

"CMC is maintaining its momentum towards completing phase one by years end," said Mr Blackhurst.

"Longer lead-time items have already been ordered and capital works to upgrade and refurbish the existing plant commenced in December last year," said Mr Blackhurst.

**For further information, please contact:**

**Investors**

CMC, Tom Blackhurst, Managing Director: +61 (04) 3812 6440  
Inteq Limited, Kim Jacobs/Alan Taylor: +61 (02) 9231 3322

**Media**

Cannings Corporate Communications: Michael Mullane +61 (02) 8284 9990

- ENDS -

## About CMC

CMC, through its 90.7% interest in a China based magnesium processing plant, plans to exploit the growing demand for magnesium and magnesium alloy by becoming one of the largest producers of pure magnesium and magnesium alloy in the world within three years, being strategically positioned in the major magnesium producing Shanxi province of Northern China.

CMC, through its interest in CMC China, has a number of competitive advantages including an environmental permit to produce up to 105,000tpa of magnesium and magnesium alloy, access to key land, ownership of operational plant using proven minerals processing technology, access to skilled labour, close proximity to feedstock and strong local demand for products including a proposed automobile production plant in the area.

CMC has assembled a management team and commercial partners with significant expertise in minerals processing and conducting business in China, and these key personnel have aligned their interests with shareholders by having material shareholdings in CMC. The local community also has a vested interest in ensuring CMC's success, with the project receiving "preferred project" status by local authorities.



Location of the group's magnesium production operations in Pingyao, China

## CMC Highlights

CMC is to become one of the largest producers of magnesium and magnesium alloy in the world.

**Growing market** – Roskill Consulting has forecast strong growth in the consumption of Magnesium (Mg) in coming years (~6%pa), particularly in the Mg alloy market (~8%pa). Magnesium is a superior and economic substitute for aluminium and many other applications. Importantly, Mg is used in the automotive, computer and consumer electronic markets, where China has a strong and growing manufacturing industry.

**Proven production process** – the process employed by CMC China, known as the Pidgeon process, is a proven, low-cost, and commercially robust process, positioning CMC China as a low-cost producer of Mg and Mg alloy.

**Clear expansion strategy** – the current processing plant (the Plant) in the Shanxi province of Northern China has produced magnesium and has a 'nameplate' capacity of 5,000tpa. The funds raised in the IPO will be used to refurbish this facility and construct an additional plant to reach an initial capacity of 20,000tpa before the end of CY2011. Expansion to 105,000tpa is intended to be funded from CMC China's operational cashflows and debt.

**Strong competitive advantage** – key permits are in place for the staged modular expansion to full capacity of up to 105,000tpa over ~3years, which would make CMC one of the world's largest magnesium producers. These permits, including an environmental permit and land access in one of the world's largest magnesium producing regions, are difficult to obtain, and provide CMC with a strategic position close to feedstock and customers.

**Early cash flows** – once the Plant is completed before the end of CY2011, CMC plans to begin processing dolomite sourced from the current feedstock supplier for the manufacture and sale of Mg to local parties. CMC is forecasting operating margins to exceed \$700/t based on the Company's assumptions which have been independently reviewed.

-ENDS-