



Media/ASX Announcement

10 March 2011

## GROUND-BREAKING CEREMONY FOR FIRST PHASE EXPANSION

### Main Points

- Earthworks commence for the first phase expansion – to 20,000 tpa – of the Pingyao magnesium project.
- A ground-breaking ceremony was hosted by the Pingyao County Government to mark the occasion.

China Magnesium Corporation Limited (“CMC” or the “Company”)(ASX: CMC), which is set to become one of the largest, low cost, vertically integrated producers of magnesium and magnesium alloy in the world, announces that, following the formal grant of the land use rights for the first phase expansion of the Pingyao Magnesium Project (announced on 16 February 2011), ground works have commenced on the site.

In a further demonstration of support for the project, the Pingyao County Government has arranged and hosted a ground-breaking ceremony to mark the commencement of earthworks on the first phase expansion of the Company’s magnesium processing project to a total capacity of 20,000 tpa.

The ceremony was attended by the Mayor of Pingyao, Mr Hui Zhong Li and more than 100 other government and party officials. Mayor Li said that *“our government will fully support your magnesium company in this project because it is one of the eight key projects in the Shanxi province and the city’s number one project.”*

*“You have our full support,”* said Mayor Li.

Mr Xinping Liang, Executive Director and Chief Operating Officer of CMC said that it was very prestigious for the local government to host a ground breaking ceremony and reflected the importance of the project to the county.

*“The Company enjoys a high degree of respect from the local community and government and we are very fortunate to have this depth of local support. Also, we are very excited to have reached this stage in the development of the project, for which both the existing plant upgrade and the first phase expansion are still very much within budget and on or ahead of time,”* said Mr Liang.

Photographs of the event follow below.

**For further information, please contact:**

### Investors

CMC, Tom Blackhurst, Chief Executive +61 (04) 3812 6440  
CMC, Garry Edwards, Company Secretary +61 (07) 5531 1808  
Inteq Limited, Kim Jacobs, Alan Taylor +61 (02) 9231 3322

For personal use only



Scenes from the ground-breaking ceremony

For personal use only



*CMC Managing Director, Mr Tom Blackhurst (left) and Chairman of CMC China (CMC's Chinese joint venture company) Mr Ming Li (second from left) being interviewed for Chinese television*

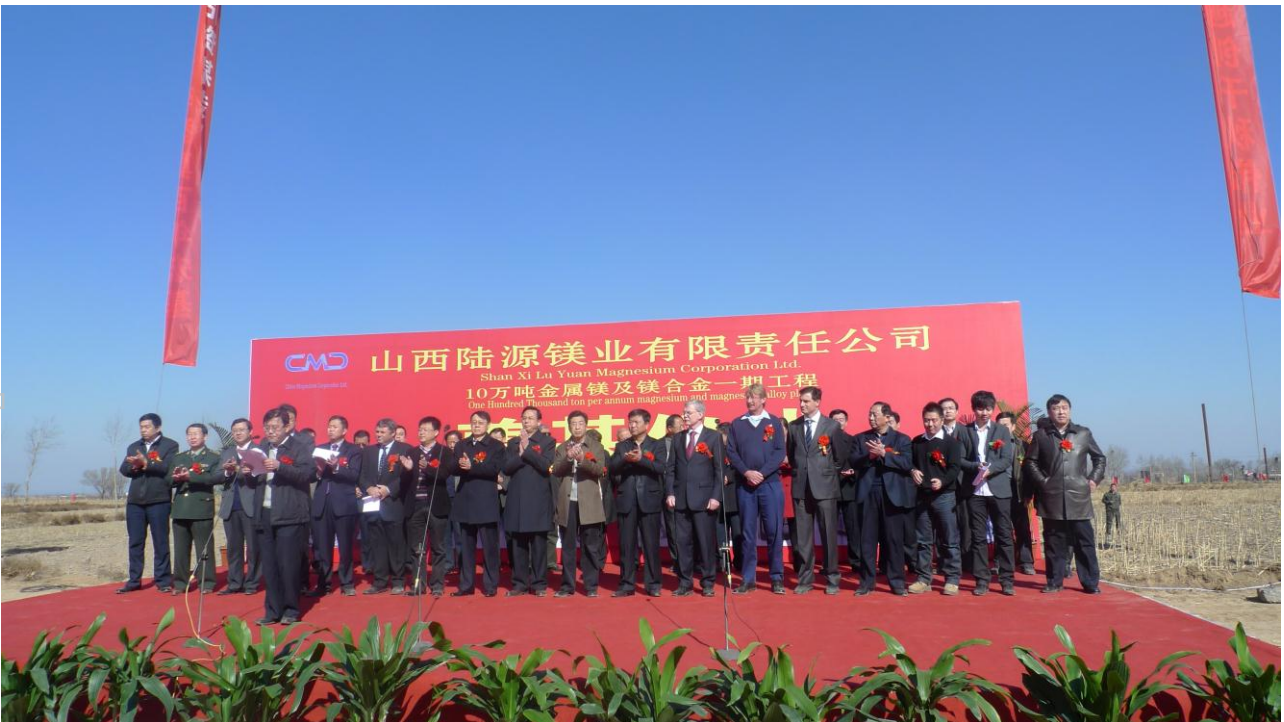


*CMC Chief Operating Officer, Mr Xinping Liang being interviewed for Chinese television*

For personal use only



*CMC Managing Director, Mr Tom Blackhurst (left) and Chairman of CMC China (CMC's Chinese joint venture company) Mr Ming Li (second from left) welcoming the Mayor of Pingyao County, Mr Hui Zong Li (right)*



*Pingyao County officials and company officers during the ceremony*



Traditional fireworks display



Commemorative gift from government



Symbolic ground breaking, including (from right to left) Mr Tom Blackhurst, Managing Director of CMC, Mr Ming Li, Chairman of CMC China (CMC's Chinese joint venture company) and Mr Hui Zong Li, Mayor of Pingyao County

For personal use only

## **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 are being 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-