



Media/ASX Announcement

5 January 2011

CHINA MAGNESIUM INCREASES JOINT VENTURE INTEREST BEYOND 90%

Key Points:

- Additional A\$5.4 million injected into the Chinese joint venture company by CMC
- Significant reduction to the AUD amount envisaged in the IPO prospectus
- Interest in the Pingyao Magnesium Project increased to 90.7%

China Magnesium Corporation Limited (ASX:CMC; "CMC" or the "Company"), which is set to become one of the largest, low cost, vertically integrated producers of magnesium and magnesium alloy in the world, announces that it has increased its interest in the Pingyao Magnesium Project to beyond the approximate 90% interest envisaged in the prospectus. This level of interest has been achieved for significantly less expenditure than the amount indicated in the prospectus, including approximately \$700,000 saved due to the strength of the Australian dollar.

The Pingyao Magnesium Project is 100% owned by the Chinese joint venture company, Shanxi Luyuan Magnesium Company Limited ("CMC China"), in which CMC has increased its interest to 90.7% by injecting an additional A\$5.4 million (CNY35.7 million) of capital contributions into CMC China. The injection and joint venture interest has now been confirmed and approved by the Shanxi Administration for Industry and Commerce.

The recent payment does not alter CMC's consolidated cash position as CMC China is a subsidiary entity. CMC China will apply the latest capital contribution towards the upgrade and first phase expansion of the existing magnesium plant to 20,000tpa as outlined in the Company's IPO prospectus.

Contributions to the joint venture since CMC listed on 19 November 2010 now total A\$7.5million (CNY49 million) compared to the total A\$8.8million (CNY52.6 million at prospectus exchange rate) envisaged in the IPO prospectus. Contributions made to date have been at approximately 9% more favourable exchange rates than those used in preparing the prospectus and represent a reduction of approximately A\$700,000.

China Magnesium Managing Director Mr Tom Blackhurst said the latest capital injection was made during a time of increasing strength in the Australian dollar.

"The latest capital injection will enable us to maintain the momentum in capital works for the upgrade and first phase expansion at the Pingyao Magnesium Project, allowing longer lead-time items to be ordered as soon as possible.

We look forward to releasing further announcements regarding key project milestones and developments over the weeks ahead," said Mr Blackhurst.

For further information, please contact:

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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.

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