



ASX:CMC

Media/ASX Announcement

14 January 2011

SECURITY TRADING POLICY

In accordance with ASX Listing Rule 12.10, a copy of the Company's revised Security Trading Policy is attached.

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CFO & Company Secretary

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Share Trading Policy

China Magnesium Corporation Limited ACN 125 236 731 ("Company")

1. General Trading Policy

1.1 Policy

The Board of the Company has established the following policy to apply to trading in the Company's shares on market. This policy applies to those persons defined below as Executives of the Company. Executives to whom this policy applies must restrict their buying and selling of Company's shares within the Company trading window established by this policy.

In addition to the requirements of this General Trading Policy, all Executives (as defined below) must also comply with the Insider Trading Policy of the Company in section 2 below.

1.2 Executive restrictions on trading

This General Trading Policy and the restrictions on trading in shares of the Company set out below applies to the following representatives of the Company (**Executives**):

- (a) the Board;
- (b) the Managing Director of the Company;
- (c) directors and company secretary of any subsidiary of the Company;
- (d) all direct reports of the Managing Director;
- (e) any person who is entitled to receive equity performance rights and/or options as part of any equity incentive based scheme of the Company; and
- (f) the Company Secretary of the Company.

The Executives of the Company are to be subject to restrictions on trading in the Company's shares at certain times of the year. Restrictions also apply where any Executive is exposed to inside information in the course of their duties in accordance with the Insider Trading Policy (see section 2 below).

1.3 Associated parties

Each Executive has a personal responsibility to ensure that his or her "associated parties" (being immediate family (including a spouse (or equivalent) or dependent), family company or trust) complies with the same respective restrictions as apply to Executives.

1.4 Board of Directors' discretion

The Board of the Company has an absolute discretion to place an embargo on Executives and/or employees and/or their respective associated parties trading in the Company's shares at any time.

1.5 Notification rules in relation to dealing in shares

Executives are required to notify the Company of intended dealings in shares, by themselves or their associated parties, of the Company prior to such intended dealings. This should be done by written notice to the Company Secretary of the Company outlining:

- (a) name of shareholder;
- (b) type of proposed transaction (purchase, sale, etc.); and
- (c) number of shares involved.

The Company Secretary may confer with the Chairman of the Board in relation to any proposed dealing.

1.6 Directors to notify of shareholding

The Directors of the Company are required to promptly notify the Company Secretary of any change in their shareholding in the Company.

2. Insider Trading Policy

2.1 Policy

The Board of the Company has established the following Insider Trading Policy to apply to trading in the Company's shares on the market.

This policy applies to all Directors, senior management and employees of the Company. All Directors, senior management and employees of the Company must not deal in the Company's shares while in possession of price sensitive information or during certain closed periods.

In addition, the General Share Trading Policy (see section 1 above) sets out additional restrictions which apply to Directors and senior management of the Company.

The law imposes a number of significant restrictions on employees of the Company when they deal in the Company's shares. As fiduciaries, these persons must not utilise their position for their own gain or for the gain of any person other than the Company.

Any perception of improper conduct by employees of the Company has the potential to substantially damage the Company's reputation.

The Company has established the policy set out in this document in an effort to prevent the incidence of insider trading in the Company's shares. The policy provides a general summary of the Company prohibitions in relation to insider trading. It is the personal responsibility of each Director, Executive and employee to comply with this policy.

2.2 Overview of the insider trading policy prohibition

It is illegal for anybody to deal in any shares of a body corporate (including the Company) when in possession of information that the person knows, or ought reasonably to know:

- is not generally available (including information that the Company has not disclosed to the market in accordance with the Company's Continuous Disclosure Policy); and
- might have a material effect on the price or value of those shares if it was generally available (***Inside Information***).

This prohibition extends to procuring another person to deal, and, in the case of shares of listed corporations, extends to communicating the inside information to another person, if the person knows, or ought reasonably to know, that the other person would, or would be likely to, deal in the shares in question or procure another person to do so. To communicate Inside Information to another person is also an offence which carries both civil and criminal penalties.

For the avoidance of doubt, this prohibition also applies to dealing in securities of body corporates (other than the Company), where the Director, Executive or employee holds inside information on the body corporate because of their position held.

A person in possession of Inside Information about the Company has a duty to keep that information confidential and must not in any way disclose or communicate that information to any person.

It is also prohibited for Directors, Executives and employees to enter into transactions relating to the hedging of unvested options and, if any such transaction is entered into contrary to this Policy, it must be disclosed to the Company Secretary.

3. Closed Periods

3.1 Prohibition on dealing in Shares during a closed period

In addition to the overriding prohibition on dealing when a person is in possession of Inside Information, Directors, Executives and employees of the Company are also prohibited from dealing in shares during the period from the end of the relevant financial period up to the publication of the Company's annual or half year results.

3.2 Excluded Trading

Unless the board otherwise resolves, trading by directors or employees is excluded from this policy where the trade involves:

- (a) transfers of securities already held in a superannuation fund or other saving scheme in which the restricted person is a beneficiary;
- (b) an investment in, or trading in units of, a fund or other scheme (other than a scheme only investing in the securities of the Company) where the assets of the fund or other scheme are invested at the discretion of a third party;
- (c) where a restricted person is a trustee, trading in the securities of the Company by that trust provided the restricted person is not a beneficiary and any decision to trade during a prohibited period is taken by the other trustees or by the investment managers independently of the restricted person;
- (d) undertakings to accept or the acceptance of a takeover offer;
- (e) trading under an offer or invitation made to all or most of the securities holders, such as a rights issue, security purchase plan where the plan that determines the timing and structure of the offer has been approved by the Board;
- (f) the exercise of an option or a right or the conversion of a convertible security;
- (g) trading under an offer or invitation made to all or most of the security holders, such as, a bonus issue, rights issue, a security purchase plan, top-up plan, dividend or distribution reinvestment plan and an equal access buy-back, where the plan that determines the timing and structure of the offer has been approved by the board.

This includes decisions relating to whether or not to take up the entitlements and the sale of entitlements required to provide for the take up of the balance of entitlements under a renounceable pro rata issue;

- (h) a disposal of securities that is the result of a secured lender exercising their rights, for example, under a margin lending arrangement;
- (i) trading under a non-discretionary trading plan for which prior written clearance has been provided in accordance with procedures set out in this trading policy and where:
 - i) the restricted person did not enter into the plan or amend the plan during a prohibited period;
 - ii) the trading plan does not permit the restricted person to exercise any influence or discretion over how, when, or whether to trade,

provided that the restricted person must not cancel the trading plan or cancel or otherwise vary the terms of his or her participation in the trading plan during a prohibited period other than in exceptional circumstances.

3.3 Exceptional Circumstances when trading may be permitted

The Chairman or an Executive Director may, in exceptional circumstances, waive the requirement of directors and employees not to deal in securities during a Blackout Period on the condition that the other directors and employees can demonstrate to him that they are not in possession of any price sensitive information that is not generally available to the public.

Where an “exceptional circumstances” trading request is made to the Chairman or Executive Director, the request must be made in writing and must set out reasonable details of the circumstances relied upon by the directors and employees in question as being “exceptional”. Trading in these circumstances may only occur on receipt of prior written approval (which may be communicated electronically, such as email) from the Chairman or Executive Director. Exceptional circumstances may include, but are not limited to:

- (a) where the director or employee is experiencing severe financial hardship which cannot reasonably be satisfied or resolved other than by them selling the securities;
- (b) where the director or employee is required to sell or transfer the securities in accordance with a court order or undertaking or settlement enforceable by a court, e.g. a bona fide family settlement; or
- (c) where the material information required to be disclosed at the end of the relevant blackout period is not materially different from information already publicly disclosed.

If the Chairman or Executive Director approves the trading in securities outside the allowed periods, that approval is valid for one week, unless a longer period is expressly stated in the written approval.

The Chairman or Executive Director granting the waiver is not permitted to grant the waiver to himself, but may grant a waiver to an Executive Director or (if applicable) Chairman other than himself.

4. **Dealing with security analysts, institutional investors and journalists**

A person may be exposed to others outside the Company such as security analysts, institutional investors and journalists. It is important that all Directors, Executives and employees be aware that selective disclosure of non-public information may result in a breach of the insider trading rules.

It is important to emphasise that it is the mere fact of conveyance of the material non-public information that gives rise to liability, not the manner in which it is conveyed.

It is possible to convey information in breach of this policy by expressing subjective attitudes about the Company's performance or by calling attention to selective information not available as an aggregate to the general public. It is essential to avoid the indirect conveyance of information by any means whatsoever.

If during the course of a discussion with an analyst, journalist or other outsider, material non-public information concerning the Company is disclosed, inadvertently or otherwise, the recipient of the information should be informed of its non-public nature and cautioned against its use unless and until the Company has made full public disclosure of that information. The Company Secretary should be notified of the situation immediately so that a decision can be made regarding disclosure of the information.

No public comments should be made regarding any previously undisclosed operating results or other developments unless authorised by the Company.

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