



Media/ASX Announcement

19 November 2010

---

## MANAGING DIRECTORS ADDRESS – TOM BLACKHURST ANNUAL GENERAL MEETING

---

Good morning ladies and gentlemen, and welcome to all our new shareholders.

We all have great expectations for this company.

China Magnesium Corporation is set to become one of the largest, low cost, vertically integrated producers of magnesium and magnesium alloy in the world.

The Pingyao Magnesium Project is a significant project. The project to date represents more than five years of planning, negotiation, securing of regulatory approvals and permits and building local relationships. It is strategically positioned in the major magnesium producing Shanxi province of Northern China; and is 100% owned by the Chinese joint venture company – which we call CMC China – in which CMC has earned a minimum 75% interest.

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 an 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.

We have 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 our success, with the Pingyao Magnesium Project receiving “preferred project” status by local authorities.

We believe that magnesium is a growth market that is far from mature and has enormous potential. We are planning, through our interest in CMC China, 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 ... and we are now executing those plans.

Having successfully completed our \$12 million IPO and ASX listing earlier this month, we quickly moved to complete our earn-in of a minimum 75% interest in the Pingyao Magnesium Project; and at a discount to the price envisaged in the IPO prospectus.

Our Chief Operating Officer, Mr Xiping Liang, who is also a director of the Company, is unable to make it to this AGM because he is currently on the ground in Pingyao bringing our upgrade and expansion plans into reality.

I am pleased to say that things are progressing well. We are expecting capital works to commence early to mid next month and expect to be able to release further announcements regarding key project milestones and developments over the next few weeks.

I look forward to the year ahead, which I expect to be a watershed period for the Company, as we swiftly move back into production and expand our magnesium production facilities.

I'd like to thank my fellow directors, our staff, both in Australia and in China, and our external advisers including our Lead Manager for the IPO Inteq Limited, who will continue on as our corporate advisers during this important stage of development, for their support and contributions in successfully bringing the company to this point; and I'd like to thank you, our fellow shareholders, for your support and funding which will enable us to unlock the significant value in the Pingyao Magnesium Project and build a significant, internationally competitive business.

Specific thanks must also go to the Chairman of CMC China and major shareholder of CMC, Mr Ming Li, for his patience, goodwill and assistance over the past 3 and a half years, and without whom there would not even be a Pingyao Magnesium Project.

CMC is now ideally placed and well-funded to capitalise on the significant growth opportunities at its fingertips. I am excited by the real prospects and growth plans for this Company, and expect to deliver for you, our fellow shareholders, significant returns over the months and years ahead.

Thank you.

- ENDS -

**For further information, please contact:**

**Investors**

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

**Media**

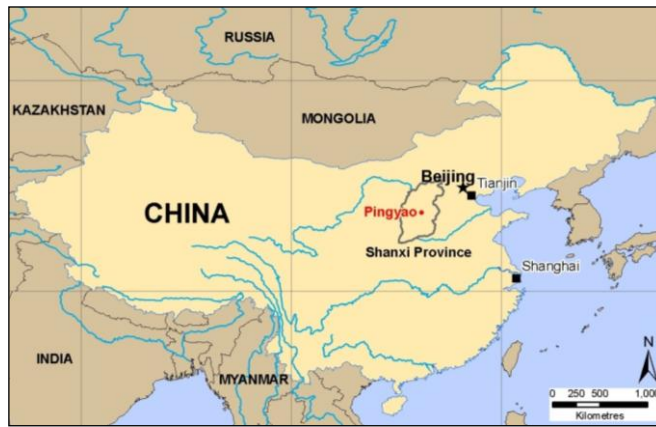
Cannings Corporate Communications: Michael Mullane/Nigel Kassulke: +61 (02) 8284 9990

## About CMC

CMC, through a minimum 75% ownership 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 fundraising 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.