



Media/ASX Announcement

25 May 2011

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## NON-DEAL ROADSHOW AND MARKET UPDATE

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China Magnesium Corporation Limited (**CMC** or the **Company**)(**ASX: CMC**), which plans to become one of the largest, low cost, vertically integrated producers of pure magnesium and magnesium alloy in the world, announced that it is commencing a non-deal roadshow to Australian and Asian brokers and fund managers today.

The roadshow, which will extend into next week, will update the market and investors on the milestones the Company has achieved since its IPO in November 2010, update on the development of the magnesium plant in the Shanxi province of Northern China and other significant announcements. A summary of these include:

- Successful IPO on the ASX in November 2010 and capital raising of \$12 million;
- Land rights in China secured to expand magnesium project;
- Increase in Chinese joint venture interest to beyond 90%;
- Change in Chinese government policy toward magnesium producers to benefit CMC;
- First production of magnesium from the Plant;
- Acquisition of dolomite quarry to achieve full vertical integration;
- First Australian company to become a commercial magnesium producer;
- No additional equity funding required to reach cashflow breakeven;
- **On track to deliver a 20,000 tpa plant *within time and on budget*;**
- **Strong balance sheet and cash position.**

CMC Managing Director, Mr Tom Blackhurst, said:

*“CMC is building a significant, internationally competitive business based on solid business fundamentals, a strong financial footing and a leading-edge magnesium project that has already commenced production. We have made rapid progress since listing and are meeting or exceeding expectations set out in our IPO prospectus.”*

A copy of the roadshow presentation follows this announcement separately.

**For further information, please contact:**

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**Further background information on CMC:**

CMC, through a 90.7% interest in an incorporated joint venture company with a Chinese joint venture partner, owns a China based magnesium processing plant. CMC plans to exploit the growing demand for magnesium and magnesium alloy by becoming one of the largest low cost 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:

- a permit to produce up to 105,000tpa of magnesium and magnesium alloy;
- access to key land;
- in production and expanding to an initial level of 20,000tpa before the end of this calendar year;
- access to skilled labour;
- close proximity to its dolomite feedstock quarry with a large resource which CMC is in the process of acquiring;
- strong local and international demand for its products, including a proposed automobile production plant in the area;
- a management team and commercial partners with material shareholdings in CMC and significant expertise in minerals processing and conducting business in China; and
- local community with a vested interest in ensuring CMC’s success, with the project receiving “preferred project” status by local authorities.

Some of the key investment highlights include:

- **Growing market** – in its independent market report, Roskill Consulting stated that the consumption of Magnesium (Mg) is likely to grow strongly in coming years (~6%pa), particularly in the Mg alloy market (~8%pa). Mg 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.
- **Vertically integrated business model** – from dolomite supply through to magnesium alloy production following the acquisition of the quarry.
- **Clear expansion strategy** – CMC China is ahead of schedule to reach an initial capacity of 20,000tpa before the end of CY2011. Subject to demand, CMC plans to further expand its magnesium operations to 105,000tpa and fund it through operational cashflow, debt or a combination of both.
- **Strong competitive advantage** – key permits are in place for the staged modular expansion to full capacity of 105,000tpa over ~3years, which would make CMC one of the world’s largest magnesium producers. These permits, including 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** – CMC is currently processing dolomite and manufacturing Mg for sale to local parties. CMC is forecasting operating margins of approximately US\$700/t based on the Company’s assumptions.



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

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