

Media/ASX Announcement

29 November 2010

SALE OF PURE MAGNESIUM INGOT

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 it has sold 126 tonnes of pure magnesium ingot previously held in stock at more than a 10% premium to the pure magnesium sale price stated in the Company's prospectus for the recent IPO (IPO Prospectus).

All of the stock, which was produced prior to suspension of operations in October 2008, was sold at the gate to a Shanxi based magnesium alloyer for CNY17,700 per tonne on a cash-on-delivery basis. The sale of the magnesium ingot has further boosted the group's working capital position by more than A\$340,000 (CNY2.2 million), which exceeds the A\$300,000 market value attributed to the stock in the IPO prospectus. Payment has already been received and cleared.

The additional funds will be used to fast track the second phase expansion of the magnesium plant following the completion of the upgrade and first phase expansion to 20,000tpa which is being funded from the proceeds raised from the recent IPO as outlined in the IPO Prospectus.

CMC managing director, Mr Tom Blackhurst said that the Company has hit the ground running.

"CMC has already earned its minimum 75% interest in the Chinese joint venture company (CMC China) and expects capital works to commence early to mid next month," said Mr Blackhurst.

"We expect to be able to release further announcements regarding key project milestones and developments in coming weeks."

- ENDS -

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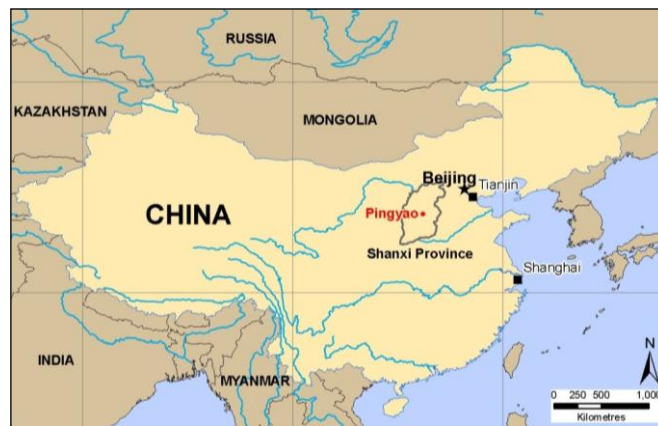
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About CMC

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 is 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.