



PINGYAO PLANT UPDATE

China Magnesium Corporation Limited (CMC or the Company) following the announcements made on 7 January 2019 wishes to provide an update on its Pingyao Plant in China.

China Magnesium Corporation Limited
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Postal Address:
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Issued Capital:
Shares - Quoted:
462,438,556 fully paid shares

Directors:
Jason Teoh
(Chief Executive Officer)
Xinping Liang
(Chief Operating Officer)
Marcelo Mora
(Non-Executive Director)
Antony Tolfts
(Non-Executive Director)

- (a) In February 2019, Pingyao Environment Protection Bureau (PEPB) advised Pingyao plant management on possible steps to be taken for the Pingyao plant to comply with the relevant environmental regulations in relation to coal to gas facilities, including new desulfurization and denitrification facilities and online monitoring devices. The Pingyao plant has not commenced with the suggested changes by the PEPB due to environmental restrictions imposed on the plant supplier of calcinated dolomite (see 2(b)) and due to the capital funding.
- (b) Notwithstanding 2(a), re-commencement of the Pingyao plant is still subject to securing supply of calcinated dolomite, a raw material required for the production of magnesium, from the Group's PRC supplier located in Pingyao (Supplier); supply of calcinated dolomite from the Supplier has been disrupted due to the same environmental regulations that have affected the Pingyao plant. As far as CMC is aware, production is yet to re-commence at the Supplier's plant.
- (c) CMC note that even if the environmental restrictions imposed on the Pingyao plant can be overcome (though at this time it is not certain to CMC) with further capital expenditure, securing the supply of calcinated dolomite and hiring the skilled workers are uncertain, and as such there will be no certainty that revenue will be generated from the plant with further capital expenditure. To mitigate CMC's exposure to the Pingyao plant, CMC is exploring alternative use for the plant so that positive cash flow can be generated from the Pingyao plant, or joint venture arrangements that may generate.
- (d) While negotiations are ongoing with various parties for alternative uses for the Pingyao plant or joint venture arrangements, no definitive agreement has been reached. CMC will provide an update to the market when it is appropriate to do so in accordance with ASX Listing Rules.

CMC is also seeking to enhance shareholder value by considering investment opportunities which complement CMC's existing operations and are earnings accretive. This is ongoing, and CMC will provide an update to the market when appropriate to do so and in accordance with the listing rules.

ENDS

