



PINGYAO UPDATE

China Magnesium Corporation Limited
ABN 14 125 236 731

ASX Code: CMC

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Postal Address:

Level 27, 480 Queen Street
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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)

- CMC enters sale and purchase agreement (SPA) to sell its interest in its Chinese Magnesium Plant
- Sale subject to certain conditions, including due diligence, CMC shareholder approval for disposal of main undertaking, minority shareholder consent and PRC regulatory approvals
- CMC agrees to raise \$500,000 through a placement of ordinary shares, with funds raised to pay creditors and provide working capital

China Magnesium Corporation Limited (CMC or the Company) provides the following update on its activities.

CMC has undertaken an assessment of CMC's Magnesium Plant, located in Pingyao China (Plant). As a result, CMC has determined that retaining the Plant is no longer in shareholders' best interests and has agreed, subject to conditions, to sell its interest in the Plant to Worldcom Parkway International Trade (Tianjin) Co. Ltd, a person to whom Listing Rule 10.1 (related parties) does not apply.

The material terms of the sale are as follows:

1. CMC will sell its 91.25% interest in Shanxi Yushun Magnesium Co. Ltd (SYMC) which owns the Plant. In consideration, the purchaser will pay CMC 1 million RMB (approximately A\$212,000).
2. Completion is conditional upon the purchaser completing due diligence, and approvals from SYMC's minority shareholder, CMC's shareholders and all regulatory authorities.
3. CMC gives no warranties (other than CMC's good standing, power to execute the SPA and CMC's legal and beneficiary ownership of the fully paid shares in SYMC) to the buyer.
4. If completed, the effective date of the sale will be 30 June 2019.
5. SYMC's board will change immediately with CMC and the purchaser appointing a new board.

The sale is of CMC's main undertaking and will require shareholder approval under Listing Rule 11.2. Assuming the conditions are satisfied, completion is expected to occur in approximately 6 weeks. CMC's board will not change as a result of the sale.

The sale will allow CMC to focus on acquisitions which complement its existing 21.43% interest in Sovran White (Shangdong) International Logistics Company Limited (SWL). SWL has contracts in relation to the Yiyuan County Growers Co-operative, an agricultural co-operative based in Yiyuan County, Zibo City, Shangdong Province, China.

Any acquisition may require CMC to re-comply with the Chapters 1 and 2 (admission requirements) of the Listing Rules, and will be at ASX's discretion.

The Company has agreed to issue of 16,666,666 fully paid ordinary shares at an issue price of \$0.03 per share to an unrelated party to raise \$500,000. Shares will be issued without shareholder approval and using CMC's existing capacity under Listing Rule 7.1A. The Company expects to complete the issue shortly and the investor has agreed that, prior to the Company lodging a prospectus, the investor may only offer the placement shares for sale in circumstances that do not require disclosure. The Company is currently in discussions with other potential investors to raise further funds on the same terms.

Funds raised from both the sale of CMC's interest in SYMC and the placement will be used to pay creditors, fund due diligence for potential acquisitions that are complementary to its investment in SWL, and provide general working capital.

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