



2 September 2014

Dear Foreign Shareholder

#### NOTICE OF NON-RENOUNCEABLE RIGHTS ISSUE

We are writing to you in relation to your shareholding in China Magnesium Corporation Limited ("**Company**") (ASX:CMC).

The Company provides you with the following information about a pro rata non renounceable rights issue of fully paid ordinary shares at \$0.04 each offered on the basis of one (1) new share for every 4.53668 shares held at the Record Date, together with one free listed option (exercisable at \$0.07 on or before 30 September 2016) for every new share offered. The purpose of the issue is to provide the Company with additional general working capital and flexibility for growth.

The maximum number of new shares to be issued is up to approximately 37,500,000 new shares and 37,500,000 new options, which would raise up to approximately \$1.5 million and would result in total issued shares and options in the Company of approximately 207,625,516 and 37,500,000 (respectively) if fully subscribed.

The rights issue is partially underwritten by Messrs Xiping Liang, William Bass and Peter Robertson (Directors of the Company) up to a maximum of \$110,000, \$30,000 and \$22,000 respectively. The Company has also received separate firm commitment undertakings from each Director and major shareholder Mr Wang Feng (on behalf Fengyan Group) that they will subscribe for the full entitlements offered in relation to their relevant interests in the Company. As at the date of this announcement those entitlements amounted to approximately \$237,016 for Mr Blackhurst, \$128,658 for Mr Liang, \$6,013 for Mr Bass, \$10,527 for Mr Robertson and \$180,000 for Mr Wang. The total underwriting and firm commitment amounts add up to \$724,214. No underwriting fee is payable, there is no broker to the issue and no handling fees are intended to be payable to brokers for procuring acceptances.

In accordance with ASX listing rules and Australian corporations and securities law, the Company has decided that the offer will not be extended to shareholders with registered addresses in the United States of America ("**Ineligible Shareholders**") as the Company has formed the view that it would be unreasonable to extend the offer in such a way having regard to certain factors prescribed by Australian law.

Accordingly, as you are a shareholder whose registered address is in the USA, you are an Ineligible Shareholder and you will not be entitled to participate in the Offer.

The offer will be available to all eligible shareholders registered on the Company's register of members at 7:00pm (Eastern Standard Time, Queensland) on 5 September 2014 and is presently scheduled to close on 30 September 2014 (these dates are indicative only and may change without notice).

If you have any questions concerning this letter please contact the Company's share registry on + 61 8 9315 2333, or contact your stockbroker or professional advisor.

Yours faithfully,

Damien Kelly  
Company Secretary