



1 November 2016

Dear Foreign Shareholder

NOTICE OF NON-RENOUCEABLE 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 \$0.025 each offered on the basis of one (1) new share for every 2.4378 shares held at the Record Date, together with one free listed option (exercisable at \$0.05 on or before 8 December 2017) for every two (2) new shares offered. The purpose of the issue is to provide the Company with additional general working capital and flexibility for growth – in particular, to further its existing Australian and Chinese operations and, if thought fit, to put it in a stronger position to build capacity and acquire assets in industries which leverage the Company's strengths and advantages.

The maximum number of new shares to be issued is up to approximately 80,000,000 new shares and 40,000,000 new options, which would raise up to approximately \$2 million and would result in total issued shares and options in the Company of approximately 275,022,849 and 40,000,000 (respectively) if fully subscribed.

The rights issue is partially underwritten by Messrs Xiping Liang and William Bass (Directors of the Company) up to a maximum of \$127,000, as well as Messrs Wu Jiepeng, Wang Fengjin, Wang Yuping and Ma Yingzhe, who have agreed to partially underwrite over \$800,000 of any shortfall to the offer. In addition to these underwriting amounts, the Company has received separate firm commitment undertakings from each Director that they will subscribe for the full entitlements offered in relation to their relevant interests in the Company. As at the date of this letter those entitlements amounted to over \$600,000 in total, bringing the total underwriting and firm commitment amounts to over \$1.5 million. No underwriting fee is payable, there is no broker to the issue and no handling fees are intended to be payable to brokers who lodge acceptances on behalf of shareholders.

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 4 November 2016 is presently scheduled to close on 23 November 2016 (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