

China Magnesium Corporation Ltd. Lithium Supply Cooperation Agreement with Qinghai Hengxinrong Lithium Technology

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Brisbane, Dec 16, 2016 - [China Magnesium Corporation Limited](#) (ASX:CMC) ("CMC" or "the Company") is pleased to advise that its wholly owned subsidiary, CMC Commodities Pte Ltd, has entered into a cooperation agreement with Qinghai Hengxinrong Lithium Technology Co., Ltd ("Qinghai"), which is proposing to grant CMC priority offtake rights to batterygrade lithium carbonate.

Highlights:

Cooperation agreement with Qinghai Hengxinrong Lithium Technology Co., Ltd.

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- Qinghai owns a plant extracting lithium brine from Qinghai Salt Lake in western China, and is 51% owned by Shenzhen-listed Steyr Motors Co Ltd (SHE:000760).
- CMC to be granted priority offtake rights to battery-grade lithium carbonate.
- Qinghai proposing to supply CMC with ~1,000 tonnes from mid-2017 at a commercially favourable price.
- Agreement is a result of CMC's strengthening networks in China with both lithium processors and end users.

Qinghai, which is 51% owned by Shenzhen-listed Steyr Motors Co Ltd, owns a plant extracting lithium brines from Qinghai Salt Lake in western China. The plant has a capacity to produce 20,000 tonnes of battery-grade lithium carbonate per annum.

Qinghai has advanced technologies to produce lithium carbonate from both brine and hard rock sources.

The cooperation agreement is a framework agreement for establishing formal supply and sales contracts under which Qinghai is proposing to supply CMC Commodities with an initial 1,000 tonnes of battery grade lithium carbonate for delivery mid-2017 on a priority basis and at a commercially favourable price.

CMC managing director, Mr Tom Blackhurst, said that the cooperation agreement is a result of CMC's growing strategic relationships in China, including organisations involved in lithium mining, processing, and end users such as manufacturers of lithiumion batteries.

"CMC is one of only two companies to have secured such an agreement with Qinghai. "With the government of China strongly supporting the new energy industry, demand for raw lithium carbonate in China - which is already in tight supply - is expected to increase significantly.

"This is a vote of confidence by Qinghai in CMC's growing networks within China's lithium industry, particularly end users," said Mr Blackhurst.

About China Magnesium Corporation Ltd

China Magnesium Corporation Limited (ASX:CMC) owns a 91.25% interest in CMC China which owns a 100% interest in a magnesium ingot production operation.

The operations are licensed to expand output to 105,000tpa, which would make it one of the world's largest magnesium producers. Studies have been completed which indicate a positive environment for CMC to conduct a major expansion of its magnesium operations.

CMC has converted its existing coal to gas plants to 5 semi-coke crackers (total semi-coke capacity 200,000 tpa) at the site of its existing 20,000 tpa capacity magnesium plant. Waste gas from semi-coke production is now used to provide the energy source required to produce magnesium. Consequently the combined

semi-coke and magnesium plants are expected to significantly lower production costs than for magnesium-only production using the coal-to-gas facilities as originally envisaged when the magnesium plant was built.

Contact

[China Magnesium Corporation Ltd](#)

T: +61-7-5531-1808

F: +61-7-5597-1096

E: info@chinamagnesiumcorporation.com

www.chinamagnesiumcorporation.com

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