

# MAGNESIUM INTERNATIONAL

## L I M I T E D

3 February 2006

### **MIL ANNOUNCES IMPORTANT CHANGES TO EMAG JOINT VENTURE AGREEMENT**

Magnesium International Limited ("MIL") is pleased to announce an important development that will both simplify and improve its relationship with the AMIRAL Group, to develop EMAG's proposed 88,000tpa magnesium plant at Port Sokhna, Egypt. The benefits include:

- A streamlined structure for future debt and equity providers;
- A simplified management decision-making process;
- AMIRAL's interests will be more closely aligned with those of MIL shareholders.

Under the share sale agreement, Amiral will exchange its 50% shareholding in the Egyptian Magnesium Company S.A.E. ("EMAG") for 2.5m fully paid shares in MIL. EMAG will move from being a 50% owned associate of MIL to a 100% fully controlled subsidiary. The issue of new MIL shares will increase the number of fully paid MIL shares on issue by 6.6% to 40,540,170 with the share holding of Amiral and its associates increasing from 6.0% to 11.8%.

There will be no cash consideration payable by MIL. Amiral will exchange, for the additional shares in MIL, its total loan and equity investment to date in EMAG of some A\$2.7m at an effective price of A\$1.08 per MIL share. This compares to a price of A\$1.20 per MIL share when Amiral subscribed to 2.3m shares in February 2005 and the closing share price on 1 February 2006 of A\$0.50 per MIL share.

Concurrently, Amiral and EMAG have agreed to a service agreement to replace all the existing arrangements that will safeguard EMAG's rights to construct the magnesium smelter at Port Sokhna, Egypt. The agreement includes consideration for these ongoing arrangements. Amiral has also signed a brokerage agreement to assist in placing part of the Project's proposed equity requirement. This agreement will replace the joint EMAG funding arrangements under the previous shareholder agreements and is intended to enable MIL to benefit from Amiral's access to Middle East equity sources.

The transaction, being a related party transaction under ASX rules, is conditional upon approval of unrelated MIL shareholders. An independent report will be commissioned and be made available to shareholders. The explanatory memorandum for the shareholders meeting will contain the independent report and details on the ongoing arrangements and consideration with Amiral. The transaction is also a related party transaction under the AIM rules. The Company's AIM nominated adviser, Nabarro Wells & Co. Limited, has advised that the terms of the transaction are fair and reasonable insofar as MIL's shareholders are concerned.

Patrick Elliott the managing director of MIL, said: "I'm delighted at this simplification of ownership and that Captain Ossama Al-Sharif will remain a director of MIL and fully in support of the Port Sokhna magnesium project. MIL and EMAG will continue to benefit from his knowledge of the Port and of Egypt. Amiral's commitment to EMAG is demonstrated by it becoming a larger shareholder in MIL. The MIL team and I are looking forward to working with Amiral and our other counterparties to establish EMAG as a pre-eminent low cost producer of high quality magnesium alloys."

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### **About Magnesium International Limited**

Magnesium International Ltd is the exclusive global licensee of electrolytic magnesium smelting technology developed by Dow Chemical. Dow's technology is the world's most proven magnesium smelting technology and was operated competitively by Dow Chemical in the USA over a period of 60 years. The Dow process has produced 3.5mt of primary metal over this period, which greatly exceeds production by any other primary magnesium technology. MIL is currently engaged in a feasibility study to construct and operate a new smelter based on Dow technology in Egypt in conjunction with its local partner, Amiral.

Demand for magnesium is rising with a major driver being magnesium's intrinsic merit as the lightest structural metal available for use in automobiles. Magnesium alloys assist auto-makers to decrease greenhouse gas emissions and fuel consumption by reducing overall vehicle weight.

MIL's ordinary shares are listed on the ASX and on the AIM market in London (ticker MGK) and on XETRA in Germany (ticker MIC).

### **About Amiral Group**

Amiral is a private company headed by Captain Al-Sharif, its President and Chief Executive. In 1997 he developed the first private container handling company in Egypt and in 1999 Captain Al-Sharif founded the Sokhna Port Development Company ([www.spdc.com](http://www.spdc.com)), the concession holder for Port Sokhna in Egypt, and developed it into a world class port and logistics centre. Captain Al-Sharif has been a director of MIL since 28 February 2005.

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