

# MAGNESIUM INTERNATIONAL

## L I M I T E D

22 September 2006

### EMAG SIGNS MOU FOR SUPPLY OF EGYPTIAN MAGNESITE

The Directors of Magnesium International Limited ("MIL") advise that its wholly owned Egyptian subsidiary, EMAG, has signed a Memorandum of Understanding ("MOU") with El Nasr Mining Co ("ENMC"), a large Egyptian Government owned mining company. ENMC holds a licence for exploration and mining of magnesite at Sul Hamed in the far south-eastern region of Egypt. The site is approximately 40 kilometres from the Red Sea and some 900 km south of Sokhna port. ENMC currently mines magnesite from the deposit at a low rate of extraction.

Recent geological evaluation and exploration by ENMC has indicated the deposit should have the potential, with further exploration, to have sufficient in grade and quantity for the first phase of the Sokhna magnesium smelter which will require 200,000 tonnes per annum of +40% MgO grade. Initial tests conducted by the Central Laboratory of the Egyptian Mineral Resources Authority indicate the Sul Hamed magnesite should be a suitable feedstock for the EMAG plant but further detailed test work is necessary for design sizing purposes.

The MOU covers the completion of the exploration program at Sul Hamed to confirm the quantity and quality of the available resource and plan a mining, crushing and beneficiation operation. The completion of the exploration and testing program will be managed by EMAG but all costs and expenses will be borne by ENMC. The program is to include bore hole drilling, logging, sampling, chemical analyses, construction of geochemical maps, metallurgical testing of cores, bulk samples, petrographic and mineralogical studies and preparation of crushing and beneficiation flowsheets.

The final outcome from the program is to be a total resource calculation to Australian JORC standards or similar.

If the program proves up the resource to a commercial standard EMAG will enter into an agreement for ENMC to supply the Sokhna magnesium smelter, when constructed, with magnesite on terms set out in the Magnesite Supply Agreement Principles in the MOU.

The supply of Magnesite from ENMC will assist in ensuring that EMAG's projected cash operating costs are below US 60 cents per pound of magnesium alloy product.

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As well the discussions with potential strategic partners are progressing. 2 major industry players are scheduled to visit Egypt in October to progress their examination of the EMAG project. 2 other, Asian, companies have signed the requisite Non Disclosure Agreements and are currently reviewing the detailed information provided to them.

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# MAGNESIUM INTERNATIONAL L I M I T E D

## About Magnesium International

MIL's primary objective is to enter the growing world magnesium industry through developing a magnesium mine, smelter and alloy plant with 108,000 tonnes annual capacity of high quality magnesium alloy ("HQMA"), located at the port of Sokhna on the Red Sea in Egypt.

Demand for HQMA is growing at 10% pa driven by the light-weighting of automotive components as manufacturers drive for cost and energy efficiency. Metal Bulletin Research Clark & Marron ("MBRC&M") forecast demand for HQMA to increase by over 300,000 tonnes per annum from 200,000 tonnes per annum in 2005 to 500,000 tonnes per annum by 2015.

MIL has the exclusive rights to the proven MIL-Dow Technology for magnesium production which has produced magnesium metal for over 60 years. This was acquired from Dow Chemical in 1999.

In 2004, MIL decided to locate the plant at Sokhna, the Red Sea port in Egypt with ready access to grid electricity and all necessary infrastructure. The location should give cost leadership with projected cash operating cost of US\$0.60/lb benefiting from low cost inputs, principally Egyptian magnesite, grid electricity below US\$2 cents/KWh and competitive labour costs

Construction of the plant is to be phased over a 4-5 year period and should make MIL the world's leading producer with capacity to meet the expected market growth. The plant would be constructed in two phases, the first 54,000 tonnes per annum taking some 24 months and the second phase of 54,000 tonnes per annum capacity would commence following successful commissioning of the first phase and take a further 24 months.

MIL also has an option to acquire technology for the production of thin magnesium sheet using Twin Roll Casting. The MagSheet operation is undergoing production trials and customer evaluations of the product.

MIL is Australian registered with listings in Australian (MGK) and London AIM (MGK). The Company has offices in Cairo, Sydney and London.

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