

18 September 2007

MIL ACQUIRES INTEREST IN PNG IRONSANDS PROJECT

The Directors of Magnesium International Limited ("MIL") are pleased to announce that the Company has entered into agreements to acquire up to a 90% interest in the Amazon Bay ironsands (titaniferous magnetite) project in Papua New Guinea. This opportunity represents an early stage resource investment for MIL that is expected to provide MIL with entry into supplying the iron and steel industry. Similar ironsands from New Zealand are currently being used as feedstock for major Asian steel producers and similar ironsands projects are being evaluated and/or developed in Indonesia and elsewhere.

The Amazon Bay ironsands project, owned by private PNG company Titan Mines Limited, was partially evaluated by AOG Minerals Pty Ltd in the early 1970s. Based on shallow drilling carried out in the course of those evaluations, AOG reported that the project may contain (non JORC Code measurements) up to 445 million tonnes of ironsands to approximately 9m deep of +10% magnetics. The deposit occurs within four major areas within a 160km x 8 km zone along the south eastern coast of PNG (see attached map). This potential quantity is conceptual in nature, there has been insufficient exploration to define a mineral resource under the JORC Code and it is uncertain if further exploration will result in the determination of a mineral resource under the JORC Code

AOG Minerals had laboratory testwork carried out in the early 1970s. That initial work concluded that a combination of screening, gravity and low intensity magnetic separation could produce a concentrate of plus 40% Fe, 10% TiO₂ and 0.4% vanadium. Pyrometallurgical testwork further demonstrated that if the concentrate was melted, 95% of the iron could be recovered as metal while the titanium oxide could be concentrated as a slag with up to 70% of the vanadium content finding its way into the metal product. At that time, there were recommendations for the design of a large scale industrial process to process the Amazon Bay ironsands.

Additionally limited metallurgical testwork conducted on representative composite samples of the Amazon Bay ironsands indicated that gold mineralisation averaging 0.15g/t Au was contained in the non-magnetic heavy fraction.

Potential for hardrock deposits also exist in the 1565km² exploration licence with historical rockchip sampling showing copper and gold indications.



AMAZON BAY EL 1396

The key terms of the agreement are:

- MIL to acquire an initial 25% shareholding in Titan Mines Limited for:
 - 15,000,000 MIL fully paid ordinary shares and 7,500,000 MIL Primary Options. Each primary option has an exercise price of \$0.10 and an expiry date of 31 May 2012. Upon exercise of a primary option, a primary option converts into a fully paid ordinary share and the holder will be automatically granted a secondary option for no cash consideration. Each secondary option has an exercise price of \$0.15 and an expiry date of 31 May 2015. Upon exercise of a secondary option, a secondary option converts into a fully paid ordinary share. The shares will rank equally in all respects with the Company's existing fully paid ordinary shares;
 - Cash payment of \$300,000 to reimburse past expenditures;
 - MIL is committed to fund Stage 1 evaluation program up to A\$1.25 million;
- If MIL, at its election, funds a further \$1.25 million on a subsequent Stage 2 evaluation and development program MIL's interest in Titan Mines will increase to 51%;
- MIL can then elect to fund a further \$10 million to increase its interest to 75% on a pro rata basis;
- MIL can then elect to fund a further \$10 million to increase its interest to 90%, on a pro rata basis;

The agreement and the issue of MIL shares and options is subject to the approval of MIL shareholders at a General Meeting scheduled to be held on 24 October 2007.

The initial evaluation and development program agreed with the Vendors comprises the following key components:

- an aeromagnetic survey to scope out the overall scale of the exploration targets;
- metallurgical testwork developing a process flowsheet which minimizes capital and operating costs consistent with an end product that is as broadly marketable as possible;
- marketing investigations;
- initial drilling, bulk sampling and regional reconnaissance to confirm and extend previous known mineralization,
- baseline environmental and community studies and
- developing a scoping or conceptual feasibility study.

The initial programs will be managed by the vendors reporting to an Operating Committee on which MIL has a majority representation.

Titaniferous magnetite ironsands are used as a specialist iron making feedstock and have undergone increasing demand by Asian steelmakers in recent years. The Amazon Bay ironsands project concept is primarily aimed at producing an ironsand feedstock product with the minimum processing necessary whilst also reviewing the feasibility of establishing downstream processing.

The information contained in this report that relates to Exploration Results or Mineral Resources or Ore Reserves is based on information compiled by John Haggman who is a Member of the Australian Institute of Geoscientists. Mr Haggman is employed by Quest Metals Pty Ltd. Mr Haggman has sufficient experience which is relevant to the style of mineral deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Haggman consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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