

**31 July 2007**

## **QUARTERLY REPORT – PERIOD TO 30 JUNE 2007**

### **Capital Raising**

The Company on 28 May 2007 announced a combined capital raising comprising a Placement, an Entitlements Issue on the basis of 5 new shares for every 6 existing shares held by way of a non renounceable rights issue to current shareholders and a Top Up Issue to allow shareholders with less than 40,000 shares to make their shareholding up to a minimum of 10,000 shares and a maximum of 40,000 shares. The new shares were issued at 5 cents each with one Primary Option issued for every 2 new shares taken up. The Primary Option is exercisable into a new ordinary share at 10 cents per share at any time before 31 May 2012. Upon exercise of the Primary Option, a Secondary Option will be issued. The Secondary Option is then exercisable into a new ordinary share at 15 cents per share before 31 May 2015.

A Prospectus in relation to the Entitlements Issue and the Top Up Issue was lodged with ASIC on 30 May 2007. The Placement and Top Up Issue was approved by shareholders in general meeting on 13 July 2007.

The combined capital raising has been successfully completed. The Company has issued 100,533,471 new shares and 51,016,611 Primary Options under the Placement, the Entitlements Issue, the Top Up Issue, a further placement and as fees for placement of the securities, raising \$5,014,173. The Company is also in the process of completing a further placement of 3,500,000 shares and 1,750,000 primary options which will raise a further \$175,000.

The proceeds of these issues are to be used primarily to:

- (a) investigate means to extract value from the Company's ownership of the MIL- Dow Magnesium Process Technology;
- (b) explore commercialisation options for the Company's magnesite resources in South Australia and the Northern Territory;
- (c) investigate and, if appropriate, invest in resource opportunities which are presented to the Company from time to time ;
- (d) general working capital; and
- (e) to cover the costs of the Placement Issue, the Top Up Issue and the Entitlements Issue.

The Company is currently progressing these activities. A number of resource opportunities have been presented to the Company. The Company is actively investigating the most promising proposals.

The Company also announced that it proposed to sell unmarketable parcels of shares (less than \$500 worth of shares) held by shareholders after the close of the Entitlements Issue unless notified by the shareholder that their shares are to be retained. This sale process will be conducted in accordance with the Company's Constitution. Shareholders whose shares are sold will receive the proceeds less an administration fee of \$25 per shareholding. This process will commence in this quarter with notices being sent to shareholders.

### **Magnesium Technology**

The Company announced on 11 May 2007 that it proposed to joint venture or license the MIL Magnesium Process Technology. MIL called for expressions of interest for the joint venture or licensing of the Technology. The Company is in discussion with parties in respect of potential joint venturing or licensing of the Technology.

### **Magnesite Resources**

MIL is still in discussions with a 3<sup>rd</sup> party and is awaiting a formal offer in respect of the magnesite resources the Company owns in South Australia.

### **Cash Position**

The cash position at 30 June 2007 was A\$1.1 million. Subsequent to 30 June proceeds from the capital raisings have increased the cash balance to A\$6.1 million.

### **For further information:**

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## Appendix 5B

Rule 5.3

### Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98.

**Magnesium International Limited**

**ACN 003 669 163**

Quarter ended ("current quarter")

**30-Jun-07**

| <b>Consolidated statement of cash flows</b>                                                                                                                | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>12 Months<br/>\$A'000</b> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|-----------------------------------------------|
| <b>Cash flows related to operating activities</b>                                                                                                          |                                    |                                               |
| 1.1 Receipts from product sales and related debtors                                                                                                        | -                                  | -                                             |
| 1.2 Payments for                                                                                                                                           |                                    |                                               |
| (a) exploration and evaluation                                                                                                                             | -                                  | -                                             |
| (b) development                                                                                                                                            | -                                  | -                                             |
| (c) production                                                                                                                                             | -                                  | -                                             |
| (d) administration                                                                                                                                         | (300)                              | (3,735)                                       |
| 1.3 Dividends received                                                                                                                                     | -                                  | -                                             |
| 1.4 Interest and other items of a similar nature received                                                                                                  | 22                                 | 118                                           |
| 1.5 Interest and other costs of finance paid                                                                                                               | -                                  | -                                             |
| 1.6 Income taxes paid                                                                                                                                      | -                                  | -                                             |
| 1.7 Other                                                                                                                                                  | 18                                 | 32                                            |
| <b>Net Operating Cash Flows</b>                                                                                                                            | <b>(260)</b>                       | <b>(3,585)</b>                                |
| <b>Cash flows related to investing activities</b>                                                                                                          |                                    |                                               |
| 1.8 Payment for purchases of:                                                                                                                              |                                    |                                               |
| (a) prospects                                                                                                                                              | -                                  | -                                             |
| (b) equity investments                                                                                                                                     | -                                  | -                                             |
| (c) intangibles                                                                                                                                            | -                                  | -                                             |
| 1.9 Proceeds from sale of:                                                                                                                                 |                                    |                                               |
| (a) prospects                                                                                                                                              | -                                  | -                                             |
| (b) equity investments                                                                                                                                     | -                                  | -                                             |
| (c) other fixed assets                                                                                                                                     | 36                                 | 499                                           |
| 1.10 Loans to other entities                                                                                                                               | -                                  | -                                             |
| 1.11 Loans repaid by other entities                                                                                                                        | -                                  | -                                             |
| 1.12 Other                                                                                                                                                 | -                                  | -                                             |
| <b>Net investing cash flows</b>                                                                                                                            | <b>36</b>                          | <b>499</b>                                    |
| <b>1.13 Total operating and investing cash flows</b>                                                                                                       | <b>(224)</b>                       | <b>(3,086)</b>                                |
| <b>Cash flows related to financing activities</b>                                                                                                          |                                    |                                               |
| 1.14 Proceeds from issues of shares, options, etc.                                                                                                         | -                                  | -                                             |
| 1.15 Proceeds from sale of forfeited shares                                                                                                                | -                                  | -                                             |
| 1.16 Proceeds from borrowings                                                                                                                              | -                                  | -                                             |
| 1.17 Repayment of borrowings                                                                                                                               | -                                  | -                                             |
| 1.18 Dividends paid                                                                                                                                        | -                                  | -                                             |
| 1.19 Other                                                                                                                                                 | -                                  | -                                             |
| <b>Net financing cash flows</b>                                                                                                                            | <b>-</b>                           | <b>-</b>                                      |
| <b>Net increase (decrease) in cash held</b>                                                                                                                | <b>(224)</b>                       | <b>(3,086)</b>                                |
| 1.20 Cash at beginning of quarter/year to date                                                                                                             | 1,362                              | 4,224                                         |
| 1.21 Exchange rate adjustments                                                                                                                             | -                                  | -                                             |
| <b>1.22 Cash at end of quarter</b>                                                                                                                         | <b>1,138</b>                       | <b>1,138</b>                                  |
| <b>Payments to directors of the entity and associates of the directors</b>                                                                                 |                                    |                                               |
| <b>Payments to related entities of the entity and associates of the related entities</b>                                                                   |                                    |                                               |
| 1.23 Aggregate amount of payments to the parties included in item 1.2                                                                                      | 79                                 | 445                                           |
| 1.24 Aggregate amount of loans to the parties included in item 1.10                                                                                        | -                                  | -                                             |
| 1.25 Explanation necessary for an understanding of the transactions<br>Directors fees and consultancy fees at normal commercial rates.                     |                                    |                                               |
| <b>Non-cash financing and investing activities</b>                                                                                                         |                                    |                                               |
| 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows | Nil                                |                                               |
| 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest               | Nil                                |                                               |
| <b>Financing facilities available</b>                                                                                                                      | Available<br>\$A'000               | Used<br>\$A'000                               |
| 3.1 Loan facilities                                                                                                                                        | Nil                                | Nil                                           |
| 3.2 Credit standby arrangements                                                                                                                            | Nil                                | Nil                                           |
| <b>Estimated cash outflows for next quarter</b>                                                                                                            |                                    |                                               |
| 4.1 Exploration and evaluation                                                                                                                             | Nil                                |                                               |
| 4.2 Development                                                                                                                                            | Nil                                |                                               |
| <b>Total</b>                                                                                                                                               | <b>-</b>                           |                                               |

| <b>Reconciliation of cash</b>                                                                                                                              |  | Current quarter<br>\$A'000 | Previous quarter<br>\$A'000 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|--|----------------------------|-----------------------------|
| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows |  |                            |                             |
| 5.1 Cash on hand and at bank                                                                                                                               |  | 98                         | 62                          |
| Deposits at call                                                                                                                                           |  | -                          | -                           |
| Bank overdraft                                                                                                                                             |  | -                          | -                           |
| Other - bank bills                                                                                                                                         |  | 1,040                      | 1,300                       |
| <b>Total: cash at end of quarter (item 1.22)</b>                                                                                                           |  | <b>1,138</b>               | <b>1,362</b>                |

#### Changes in interests in mining tenements

- 6.1 Interests in mining tenements relinquished, lapsed or reduced  
6.2 Interests in mining tenements acquired or increased

| Tenement reference | Nature of interest | Interest at start of quarter | Interest at end of quarter |
|--------------------|--------------------|------------------------------|----------------------------|
|                    | <b>No changes</b>  |                              |                            |

#### Issued and quoted securities at end of current quarter

|                                                      | Total number      | Number quoted     | Issue price per security | Amount paid up      |
|------------------------------------------------------|-------------------|-------------------|--------------------------|---------------------|
| <b>7.1 Preference securities</b>                     | <b>None</b>       | <b>None</b>       |                          |                     |
| 7.2 Changes during quarter                           | <b>None</b>       | <b>None</b>       |                          |                     |
| <b>7.3 Ordinary securities</b>                       | 40,540,170        | 40,540,170        |                          | \$91,180,904        |
| 7.4 Changes during quarter                           |                   |                   |                          |                     |
| (a) Increases through issues                         | 0                 |                   |                          | \$0                 |
| (b) Decreases through returns of capital, buy-backs  |                   |                   |                          |                     |
| <b>Ordinary shares at end of quarter</b>             | <b>40,540,170</b> | <b>40,540,170</b> |                          | <b>\$91,180,904</b> |
| <b>7.5 Convertible debt securities</b>               |                   |                   |                          |                     |
| 7.6 Changes during quarter                           |                   |                   |                          |                     |
| (a) Increases through issues                         |                   |                   |                          |                     |
| (b) Decreases through securities matured, converted  |                   |                   |                          |                     |
| <b>Convertible Debt Securities at end of quarter</b> | <b>None</b>       | <b>None</b>       |                          | <b>Nil</b>          |

#### 7.7A Listed options

| Description                               | Conversion factor    | Total Number      | Number Quoted | Exercise price | Expiry Date |
|-------------------------------------------|----------------------|-------------------|---------------|----------------|-------------|
| Issued during Quarter                     |                      | Nil               | Nil           |                |             |
| <b>Expired during quarter</b>             |                      |                   |               |                |             |
| <b>Listed Options at end of quarter</b>   |                      | <b>0</b>          | <b>0</b>      |                |             |
| <b>7.7B Unlisted options</b>              |                      |                   |               |                |             |
| 18 May 2007 Options                       | 1 share for 1 option | 500,000           | -             | \$2.00         | 18/05/2007  |
| Managing Director's Options               | 1 share for 1 option | 150,000           | -             | \$3.00         | 1/08/2007   |
| Directors Options                         | 1 share for 1 option | 450,000           | -             | \$1.38         | 30/06/2011  |
| 31 May 2010 Options                       | 1 share for 1 option | 190,200           | -             | \$1.20         | 31/05/2010  |
| 30 June 2011 Options                      | 1 share for 1 option | 1,200,000         | -             | Various        | 30/06/2011  |
| 30 June 2011 Options                      | 1 share for 1 option | 100,000           | -             | \$1.16         | 30/06/2011  |
| 31 October 2012 Options                   | 1 share for 1 option | 150,000           | -             | \$2.00         | 31/10/2012  |
| <b>7.8 Issued during quarter</b>          |                      | 2,740,200<br>None | -             |                |             |
| <b>7.9 Expired during quarter</b>         |                      |                   |               |                |             |
| 18 May 2007 Options                       | 1 share for 1 option | 500,000           | -             | \$2.00         | 18/05/2007  |
| <b>7.10 Exercised during quarter</b>      |                      | None              |               |                |             |
| <b>Unlisted Options at end of quarter</b> |                      | <b>2,240,200</b>  | <b>Nil</b>    |                |             |

|                      |  |             |             |
|----------------------|--|-------------|-------------|
| 7.11 Debentures      |  | <b>None</b> | <b>None</b> |
| 7.12 Unsecured notes |  | <b>None</b> | <b>None</b> |

#### Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX.

2 This statement does give a true and fair view of the matters disclosed.

Signature:

Company Secretary

Date:

31/07/2007

Print name:

James Beecher