

30 April 2007

QUARTERLY REPORT – PERIOD TO 31 MARCH 2007

Egyptian Magnesium Company S.A.E (“EMAG”)

As previously announced the EMAG project has been placed on a maintenance basis and the office in Egypt closed and staff released. These arrangements were completed during the quarter.

Magnesium market conditions have continued to improve during the quarter. Magnesium metal prices have risen to US\$0.98 – 1.00/lb FOB China reflecting rising Chinese costs, reduction in the VAT Export Rebate and the higher Renminbi. Magnesium metal prices in Europe and USA are quoted at US\$1.02 – 1.05/lb and US\$1.50 – 1.60/lb. These prices are up around 25% on year ago levels.

The Board continues to review possible financing options that may lead to a reactivation of EMAG.

Magnesium Technology

The company is investigating means to extract value from its ownership of the Dow magnesium technology.

Magnesite Resources

No work was undertaken during the quarter.

MIL owns the Mount Hutton magnesite deposit near Leigh Creek, South Australia, (ML6092) which has been estimated by Minarco Pty Limited in June 2005 to contain a proven and probable mineable reserve of 7.1 million tonnes of 23.65% Magnesium.

In addition, MIL owns the Huandot magnesite resource, near Batchelor, Northern Territory (ML 23292) which was estimated by Commercial Minerals Limited in 1996 to total 4.6 million tonnes at 43.4% MgO of which 1.165 million tonnes was in the Measured and Indicated categories and the balance Inferred Resources.

A review of the possible commercialisation options of these resources is planned.

Investment Opportunities

A number of resource investment opportunities have been reviewed during the quarter but no commitments have been made. Further such opportunities are currently under investigation.

Cash Position

The cash position at 31 March 2007 was A\$1.36 million. The cash burn rate during the quarter was high reflecting the costs of closing the Egypt office and staff termination payments.

Current expenditure on operations is much reduced reflecting the steps taken.

Board

During the quarter, Captain Ossama Al Sharif and Mr Peter Sydney-Smith resigned from the Board.

The Directors of the Company are now – James Beecher; Patrick Elliott (Chairman and Managing Director); and Professor Malcolm Richmond.

In accordance with Australian Stock Exchange listing requirements, any geological information in this report has been based on information provided by geologists who are corporate members of the Australian Institute of Mining and Metallurgy or Australian Institute of Geoscientists and who have had in excess of 5 years experience in their field of activity.

For further information:

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Reconciliation of cash		Current quarter	Previous quarter
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		\$A'000	\$A'000
5.1 Cash on hand and at bank		62	460
Deposits at call		-	-
Bank overdraft		-	-
Other - bank bills		1,300	1,840
Total: cash at end of quarter (item 1.22)		1,362	2,300

Changes in interests in mining tenements				
	Tenement reference	Nature of interest	Interest at start of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, lapsed or reduced		No changes		
6.2 Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

	Total number	Number quoted	Issue price per security	Amount paid up
7.1 Preference securities	None	None		
7.2 Changes during quarter	None	None		
7.3 Ordinary securities	40,540,170	40,540,170		\$91,202,474
7.4 Changes during quarter				
(a) Increases through issues	0			\$0
(b) Decreases through returns of capital, buy-backs				
Ordinary shares at end of quarter	40,540,170	40,540,170		\$91,202,474
7.5 Convertible debt securities				
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
Convertible Debt Securities at end of quarter	None	None		Nil

7.7A Listed options

Description	Conversion factor	Total Number	Number Quoted	Exercise price	Expiry Date
1 March 2007 options		5,833,570	5,833,570	\$1.80	1/03/2007
Issued during Quarter		Nil	Nil		
Expired during quarter					
1 March 2007 options		-5,833,570	-5,833,570	\$1.80	1/03/2007
Listed Options at end of quarter		0	0		
7.7B Unlisted options					
31 March 2007 Options	1 share for 1 option	150,000	-	\$4.95	31/03/2007
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
7.8 Issued during quarter	0/01/1900	2,890,200	-		
7.9 Expired during quarter		None			
31 March 2007 Options	1 share for 1 option	-150,000	-	\$4.95	31/03/2007
7.10 Exercised during quarter		None			
Unlisted Options at end of quarter		2,740,200	Nil		

7.11 Debentures		None	None
7.12 Unsecured notes		None	None

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:

30/04/2007

Print name:

James Beecher