

MAGNESIUM

INTERNATIONAL

L I M I T E D

13 June 2007

SHAREHOLDING MAILING

Magnesium International Ltd is today mailing to its shareholders a Notice of General Meeting, including the proxy form, for a shareholders meeting to be held on 13 July 2007, a Prospectus for an Entitlements Issue and a Top Up Issue and an Entitlement and Acceptance Form for the Entitlements Issue and the Top Up Issue.

Shareholders with a registered address in Australia and New Zealand are being posted both the Notice of General Meeting and the Prospectus along with their Entitlement and Acceptance Form, shareholders with a registered address not in Australia or New Zealand are only being posted the Notice of General Meeting.

For further information:

Pat Elliott
Chairman and Managing Director
Magnesium International Limited
Tel: +61 (0) 2 9252 1505
Mobile: +61 (0)432 755655

James Beecher
Company Secretary and Director
Level 6 210 George Street
Sydney NSW 2000
Tel: +61 (0) 2 9252 1505
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Magnesium International web site: www.mgil.com.au

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

THE MATTERS RAISED IN THIS DOCUMENT WILL AFFECT YOUR SHAREHOLDING IN THE COMPANY. YOU ARE ADVISED TO READ THIS DOCUMENT IN ITS ENTIRETY BEFORE THE GENERAL MEETING REFERRED TO BELOW, IS CONVENED.

IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE, PLEASE CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

Magnesium International Limited (ACN 003 669 163)

Notice of General Meeting

and

Related Documentation

NOTICE OF GENERAL MEETING TO BE HELD ON **FRIDAY 13 JULY 2007** AT 10.00AM AT LEVEL 6, 210 GEORGE STREET, SYDNEY, NEW SOUTH WALES IS INCLUDED WITH THESE DOCUMENTS.

TO BE VALID, FORMS OF PROXY FOR USE AT THIS MEETING MUST BE COMPLETED AND RETURNED TO THE COMPANY NO LATER THAN **10.00AM ON 11 JULY 2007**.

PART A: ABOUT THIS DOCUMENT

Notice of Meeting

Shareholders in Magnesium International Limited (ACN 003 669 163) (“**Company**”) will be asked to consider and vote on the Resolutions contained in **Part B** of this document at a General Meeting of members of the Company to be held at the Company’s offices at Level 6, 210 George Street, Sydney, New South Wales on 13 July 2007 at 10.00am.

How to Vote

You can vote on the Resolutions by:

- attending and voting at the General Meeting on the date, time and place set out above; or
- appointing someone as your proxy to attend and vote at the Meeting on your behalf, by completing and signing the Proxy Form enclosed with these documents as soon as possible and either:
 - sending the duly completed Proxy Form by facsimile to the Company on facsimile number (02) 9252 1507; or
 - delivering the duly completed Proxy Form to the Company at Level 6, 210 George Street, Sydney, New South Wales

so that the Proxy Form is received at least 48 hours before the time, in Sydney, of the commencement of the General Meeting.

Notes

1. A body corporate may appoint a representative to attend in person in accordance with the Corporations Act. An executed notice evidencing the appointment of the representative is required when registering at the General Meeting.
2. A Shareholder entitled to attend and vote at this General Meeting is entitled to appoint not more than two proxies to attend and vote instead of the Shareholder.
3. Where more than one proxy is appointed, each proxy may represent a specified proportion of the Shareholder’s voting entitlements.
4. A proxy need not be a Shareholder of the Company.
5. For the purpose of the General Meeting, Shares in the Company will be taken to be held by the persons who are registered holders at close of business on 11 July 2007. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the General Meeting.

PART B: NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of the members of the Company will be held at the place, date and time set out in **Part A**.

BUSINESS

RESOLUTION 1 - ISSUE OF PLACEMENT SECURITIES

To consider and, if thought fit, pass the following motion as an ordinary resolution:

“That approval be given in accordance with Listing Rule 7.1 for the issue and allotment of up to 33,500,000 Shares at an issue price of \$0.05 per Share, together with the issue and allotment of up to 16,750,000 Primary Options for nil cash consideration, on the basis of one Primary Option for every two Shares issued and otherwise on the terms and conditions set out in the Explanatory Statement attached to this Notice of General Meeting.”

(hereafter referred to as “**Resolution 1**”).

Voting Restriction

In accordance with Listing Rule 7.3.8, the Company will disregard any votes cast by:

- a person who may participate in the proposed issue of the Placement Securities and a person who might obtain a benefit from that issue, except a benefit solely in the capacity of a holder of Shares, if Resolution 1 is passed; and
- an associate of that person.

However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote on Resolution 1, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote on Resolution 1, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 2 - ISSUE OF TOP UP SECURITIES

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That approval be given in accordance with Listing Rule 7.1 for the issue and allotment of up to 30,000,000 Shares at an issue price of \$0.05 per Share, together with the issue and allotment of up to 15,000,000 Primary Options for nil cash consideration, on the basis of one Primary Option for every two Shares issued and on the terms and conditions set out in the Explanatory Statement attached to this Notice of General Meeting.”

(hereafter referred to as “**Resolution 2**”).

Voting Restriction

In accordance with Listing Rule 7.3.8, the Company will disregard any votes cast by:

- a person who may participate in the proposed issue of the Top Up Issue Securities and a person who might obtain a benefit from that issue, except a benefit solely in the capacity of a holder of Shares, if Resolution 2 is passed; and
- an associate of that person.

However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote on Resolution 2, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote on Resolution 2, in accordance with a direction on the proxy form to vote as the proxy decides.

Dated the 11th day of June 2007

By Order of the Board of Directors of the Company

James Beecher

Company Secretary

PART C: EXPLANATORY STATEMENT

The Company sets out the following information in relation to the proposed motions set out in **Part B**:

Listing Rules

1. Listing Rule 7.1 known as the "15% rule", limits the capacity of a company to issue securities without the approval of its shareholders. In broad terms, this Listing Rule provides that a company may not, in a twelve month period, issue securities equal to more than 15% of the total number of ordinary securities on issue at the beginning of the twelve month period unless the issue is approved by shareholders or it otherwise falls within one of the exceptions to Listing Rule 7.1.
2. The number of Shares proposed to be issued pursuant to each of Resolution 1 and Resolution 2 exceeds 15% in number of the existing Shares in the Company. Therefore, the Company is seeking approval of the Shareholders to Resolution 1 and Resolution 2.

Resolution 1 – Placement Issue

3. The following information under this subheading is provided for the purpose of Listing Rule 7.3.
4. Subject to the passing of Resolution 1, the Company will issue up to 33,500,000 Shares at an issue price of \$0.05 per Share to raise \$1,675,000. Subscribers to the Placement Issue will also receive one Primary Option for every two Shares for which they subscribe. Upon exercise of a Primary Option, the holder of that Primary Option will receive one Secondary Option. The Placement Securities will only be offered to professional and sophisticated investors and other investors who are not required to be provided with a disclosure document, pursuant to the provisions of section 708 of the Corporations Act.
5. It is intended that the issue of the Placement Securities will take place in conjunction with the Entitlements Issue, as explained under the sub-heading below entitled "Entitlements Issue". Persons who are allotted Placement Securities pursuant to the Placement Issue will not be entitled to participate in the Entitlements Issue.
6. Subject to the passing of Resolution 1, the Placement Securities will be issued and allotted following the General Meeting to those offerees that accept the offer of the Placement Securities, and for which valid subscriptions have been received. No Shares or Primary Options will be issued and allotted by the Company under Resolution 1 later than three months from the date of the General Meeting.
7. The proceeds received by the Company from the issue of the Placement Securities, together with the proceeds of the Entitlements Issue and Top Up Issue, will be used primarily to fund:
 - (a) the investigation of means to extract value from the Company's ownership of the MIL-Dow magnesium technology;
 - (b) commercialisation options for the Company's magnesite resources in South Australia and the Northern Territory;
 - (c) the investigation and, if appropriate, investment in resource opportunities that are presented to the Company from time to time;
 - (d) general working capital; and
 - (e) the costs of the Placement, the Top Up Issue and the Entitlements Issue.

8. The Shares proposed to be issued pursuant to Resolution 1 will have the same rights and be subject to the same terms and conditions as the Shares already on issue.

Resolution 2 – Top Up Issue

9. The following information under this heading is provided for the purpose of Listing Rule 7.3 of ASX.
10. Subject to the passing of Resolution 2, the Company proposes to issue up to 30,000,000 Shares at \$0.05 per Share.
11. Subject to the terms of paragraph 15 below, only an existing Shareholder registered under an Australian address, with a holding which is, after allocation of the securities pursuant to the Entitlements Issue, less than 40,000 Shares (“**Eligible Top Up Subscriber**”) will be eligible to participate in the Top Up Issue.
12. Eligible Top Up Subscribers who subscribe to the Top Up Issue will also receive one Primary Option for every two Shares for which they subscribe. Upon exercise of a Primary Option, the holder of that Primary Option will receive one Secondary Option. The securities issued pursuant to the Top Up Issue will be offered pursuant to the Prospectus.
13. The minimum number of Top Up Shares which an Eligible Top Up Subscriber may subscribe for is the number of Shares which takes that holder’s holding to 10,000 Shares.
14. The maximum number of Top Up Shares which an Eligible Top Up Subscriber may subscribe for is the number of Shares which takes that holder’s holding to 40,000 Shares.
15. Subject to the passing of Resolution 2, the Top Up Securities allotted pursuant to the Top Up Issue will be issued and allotted following the General Meeting to Eligible Top Up Subscribers from whom valid subscriptions have been received, the allocation of those securities being on a first come first served basis until (and if) the maximum amount of 30,000,000 Shares is reached. In the event that the maximum amount of 30,000,000 Shares is not reached, Directors reserve the right to offer any or all of those Shares not subscribed for by Eligible Top Up Subscribers, together with attaching Primary Options, to other eligible investors, including professional and sophisticated investors. No Shares or Primary Options will be issued and allotted by the Company under Resolution 2 later than three months from the date of the General Meeting.
16. The proceeds of the Top Up Issue, together with the proceeds of the Placement Issue and Entitlements Issue, will be applied in the manner referred to in paragraph 7 above.
17. The Shares proposed to be issued pursuant to the Top Up Issue will have the same rights and be subject to the same terms and conditions as the Shares already on issue.
18. In the event the Top Up Issue is not approved pursuant to Resolution 2, Shares will only be issued to the extent permitted by the Listing Rules.

Entitlements Issue

19. It is intended that the Placement Issue and the Top Up Issue will take place in conjunction with the Entitlements Issue. The Placement Issue and the Entitlements Issue, if fully subscribed, will together raise up to approximately \$3.4 million – as announced by the Company on 28 May 2007.
20. The Entitlements Issue involves an offer to eligible existing Shareholders (being Shareholders who are registered under an Australian or New Zealand address at the record date) to acquire five Shares for every six Shares held by that Shareholder. The Prospectus in relation to the Entitlements Issue was lodged by the Company with ASIC on 30 May 2007. Holders of Shares proposed to be issued under the Placement Issue will not be entitled to participate in the Entitlements Issue.

Capital Structure

21. If the Placement Issue, Top Up Issue and Entitlements Issue are each fully subscribed, the capital structure and the amount raised by the Company (before deducting the costs of the issues) will be as follows:

	Number of Shares	Amount raised (\$0.05 issue price per Share)
Existing Shares	40,540,170	n/a
Shares issued under Placement	33,500,000	\$1,675,000
Shares issued under Top Up Issue	30,000,000	\$1,500,000
Shares issued under Entitlement Issue	33,783,475	\$1,689,174
TOTAL	137,823,645	\$4,864,174

22. If each of the Placement Issue, Top Up Issue and Entitlements Issue are fully subscribed, then the following will also occur:

- The number of Options on issue will increase by up to 48,641,737, from 2,240,200 to a total of 50,881,937 as a result of the Primary Options issued pursuant to the Combined Capital Raising, as follows:

- Placement Issue: 16,750,000 Primary Options;
- Top Up Issue: 15,000,000 Primary Options; and
- Entitlements Issue: 6,891,737 Primary Options.

The above excludes Secondary Options that are granted upon exercise of a Primary Option issued under the Combined Capital Raising.

- The Company will have “deferred capital” in the nature of the Primary and Secondary Options as follows:

- Placement Issue
 - Up to 16,750,000 Primary Options exercisable at \$0.10 per Primary Option to raise up to \$1,675,000.
 - Up to 16,750,000 Secondary Options exercisable at \$0.15 per Secondary Option to raise up to \$2,512,500.
- Top Up Issue
 - Up to 15,000,000 Primary Options exercisable at \$0.10 per Primary Option to raise up to \$1,500,000.
 - Up to 15,000,000 Secondary Options exercisable at \$0.15 per Secondary Option to raise up to \$2,250,000.
- Entitlements Issue
 - Up to 16,891,737 Primary Options exercisable at \$0.10 per Primary Option to raise up to \$1,689,173.70.
 - Up to 16,891,737 Secondary Options exercisable at \$0.15 per Secondary Option to raise up to \$2,533,760.50.

The amount raised by the Company if all of the Primary Options and Secondary Options are exercised will be \$12,160,434.

Recommendation

23. The Directors recommend that Shareholders vote in favour of both Resolution 1 and Resolution 2.

Notice of Intention to sell Unmarketable Parcels of Shares

24. The register of the Company contains an unusually high number of holders of Unmarketable Parcels of Shares in relation to the total number of Shareholders.
25. The passing of Resolution 2 will give the opportunity to eligible Shareholders with less than 40,000 Shares (which includes Shareholders with less than a Marketable Parcel of Shares) the opportunity to “top up” their Shareholdings to a value level (based on \$0.05 per Share) of between \$500 and \$2,000, i.e. to at least a Marketable Parcel.
26. After the passing and implementation of Resolution 1, Resolution 2 and the close of the Entitlements Issue, the Company proposes to sell any remaining Unmarketable Parcels of Shares held by a Shareholder, on that Shareholder’s behalf, as approved by Shareholders in a general meeting in February 2005, and in accordance with rule 8A of the Constitution.
27. This “on-sell process” will be detailed in a Letter of Intent from the Company which will be sent to all Shareholders of Unmarketable Parcels following the close of the Entitlements Issue. The sale process will commence no earlier than 45 days after the date of issue of the Letter of Intent. The Company intends to appoint a licensed dealer for the purposes of offering Unmarketable Parcels of Shares for sale.
28. As previously advised by the Board, one of the reasons for the Company proposing to sell Unmarketable Parcels of Shares is that such Shareholdings cause the Company to incur significant administrative costs. The Board resolved on 25 May 2007 to create an orderly market process to sell Unmarketable Parcels of Shares. The mechanism for this process is set out in rule 8A of the Constitution.
29. The minimum security holding defined for these purposes as a Marketable Parcel, is 10,000 Shares. Naturally, the Share price fluctuates so the price a Shareholder will receive if the Company sells that Shareholder’s Unmarketable Parcel of Shares will be the market price of the Shares at the time of sale. Having regard to the current limited liquidity in the Shares and the number of Shares to be sold, the price to be achieved by the Company is likely to be at a discount to the price at which the Shares will be trading at or around the date of sale. The Board expects that the likely discount to that market price in order to achieve the sale of an Unmarketable Parcel of Shares will be in the order of 10%.
30. As the administrative costs of implementing the above process are significant, the Company will charge a fee to each Shareholder on the sale of that Shareholder’s Unmarketable Parcel of Shares of \$25 which will be deducted from the sale proceeds of that Shareholder’s Unmarketable Parcel of Shares. If the sale proceeds of an Unmarketable Parcel do not exceed \$25, the holder of that parcel will be charged a fee only equal to those sale proceeds. The proposal for selling Unmarketable Parcels will be conducted in accordance with the rule 8A of the Constitution.
31. **Important:** If you do not want to sell your Unmarketable Parcel of Shares on the terms which will be set out in the Letter of Intent, you will be able to notify the Company and, in such case, the Company will not sell your Unmarketable Parcel of Shares. If you fail to notify the Company of your desire to retain your Unmarketable Parcel of Shares, the Company will sell those Shares.

PART D: GLOSSARY

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691).

Constitution means the constitution of the Company as amended from time to time.

Combined Capital Raising means the Placement Issue, Top Up Issue and the Entitlements Issue collectively.

Company means Magnesium International Limited (ACN 003 669 163).

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Entitlements Issue means the 5 for 6 non-renounceable entitlement issue of up to 33,783,475 Shares at an issue price of \$0.05 per Share plus one Primary Option, at nil cash consideration, for every two Shares taken up pursuant to this issue.

General Meeting means the general meeting of Shareholders that is the subject of this Notice.

Letter of Intent has the meaning given to it in paragraph 27 of Part B of this Notice.

Listing Rules means the Listing Rules of ASX.

Marketable Parcel means, in relation to Shares and in accordance with Listing Rule 19.12, a Shareholding being worth at least \$500. On the basis of a price of \$0.05 per Share this would mean a parcel of at least 10,000 Shares.

Notice means this Notice of General Meeting.

Option means an option to acquire a Share.

Placement or Placement Issue refers to issue of up to 33,500,000 Shares at \$0.05 per Share to raise \$1,675,000 pursuant to Resolution 1.

Placement Securities means Shares and Primary Options issued pursuant to the Placement Issue.

Primary Option means an Option which, when exercised, converts into a Share and which has an exercise price of \$0.10 and an expiry date of 5:00pm (Sydney time) on 31 May 2012.

Prospectus means the prospectus to be issued by the Company, which was lodged with ASIC on 30 May 2007 in relation to the Entitlements Issue and the Top Up Issue.

Secondary Option means an Option which, when exercised, converts into a Share and which has an exercise price of \$0.15 and an expiry date of 5:00pm (Sydney time) on 31 May 2015.

Share means a fully paid ordinary share in the issued capital of the Company.

Shareholder means the holder of a Share.

Top Up Issue refers to the issue of up to 30,000,000 Shares at \$0.05 per Share to raise \$1,500,000 pursuant to Resolution 2.

Top Up Securities means Shares and Primary Options issued pursuant to the Top Up Issue.

Unmarketable Parcel means, in relation to Shares and in accordance with Listing Rule 19.12, a Shareholding worth less than \$500. On the basis of a price of \$0.05 per Share, this would mean a parcel of less than 10,000 Shares.

PROXY FORM

To: The Company Secretary
 Magnesium International Limited
 Level 6, 210 George Street
SYDNEY NSW 2000

FAX (02) 9252 1507

I/We

of.....

being a shareholder of **Magnesium International Limited (ACN 003 669 163)** (“Company”)

hereby appoint.....

of.....

or failing him/her the Chair of the meeting as my/our proxy to vote for me/us and on my/our behalf at the General Meeting of the Company to be held on 13 July 2007 at 10.00am and at any adjournment of that meeting.

If I/we have appointed two proxies, this proxy represents% of my/our voting rights or (number) of my/our shares.

My/our proxy is instructed to vote as indicated below in respect of the resolution arising out of the business in the notice of meeting. If I/we have not specifically directed my/our proxy how to vote, my/our proxy may vote or abstain from voting as the proxy thinks fit.

If the Chair of the Meeting is to be your proxy, or may be appointed by default, and you have not directed your proxy to vote on any of the motions below, please place a mark in this box.

By marking this box you acknowledge that the Chair of the Meeting may exercise your proxy even if he has an interest in the outcome of a motion and that votes cast by him, other than as a proxy holder, would be disregarded because of that interest.

If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on any motion and your votes will not be counted in computing the required majority if a poll is called on a motion.

The chair of the meeting intends to vote undirected proxies in favour of the resolution to which the proxy relates.

FOR AGAINST ABSTAIN

As Ordinary Resolutions

Resolution 1 – Approval of Placement Issue being the proposed issue of up to 33.5 million Shares with 1 for 2 Primary Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Resolution 2 - Approval of Top Up Issue being the proposed issue of up to 30 million Shares with 1 for 2 Primary Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Signed this day of 2007

Signature of shareholder(s)	X	X
	X	X

(Name/Director/Sole Director/Sole Director and Secretary*) (Name/Director/Secretary*)

Common Seal of Corporate Shareholder
 (if applicable)

* Strike out as appropriate

NOTES ON PROXIES

1. A shareholder who is entitled to attend and cast a vote at a meeting of shareholders of the Company has a right to appoint a person as the shareholder's proxy to attend and vote for the shareholder at the meeting.
2. The appointment may specify the proportion of number of votes that the proxy may exercise.
3. Each shareholder may appoint a proxy. If the shareholder is entitled to cast two or more votes at the meeting, they may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the shareholder appoints two proxies and the appointment does not specify the proportion or number of the shareholder's votes each proxy may exercise, each proxy may exercise half of the votes.
4. A proxy need not be a shareholder of the Company.
5. A proxy appointed to attend and vote for a shareholder has the same entitlements as the shareholder to speak at the meeting, to vote (but only to the extent allowed by the appointment) and to join in a demand for a poll.
6. The appointment of a proxy must be signed by the shareholder or his attorney duly authorised in writing. If the appointor is a company, the appointment must be signed by its duly authorised attorney, or if the company's constitution requires it to use a common seal, the appointment must be under its common seal.
7. To be valid, the instrument appointing a proxy and the authority (if any) under which it is signed or executed (or a certified copy of the authority), **must be lodged at the registered office of the Company being at Level 6, 210, George Street, Sydney NSW 2000, at least 48 hours before the time appointed for the meeting (or any adjournment thereof). The lodgement referred to in this paragraph can also be achieved by posting the document to the Company at the above address or by faxing the document to the attention of the 'Company Secretary' on (02) 9252 1507.**
8. If this proxy form is signed by the shareholder(s) but otherwise left blank, it will be deemed to be a valid appointment of the Chair of the meeting as the shareholder's proxy.
9. The Chairman intends to vote all undirected proxies in favour of the resolution.
10. A proxy other than the Chair need not vote on a poll or a show of hands, but if the proxy does vote he/she must vote the way the appointment specifies. A proxy who is the Chair must vote on a poll.
11. If a shareholder desires to direct the proxy how to vote on the resolution, the shareholder should place an "X" or "✓" in the appropriate box, otherwise the proxy may vote or abstain as he or she deems fit.
12. Further copies of this form will be made available by the Company to shareholders on request.

MAGNESIUM INTERNATIONAL LIMITED
ACN 003 669 163

PROSPECTUS

This is a Prospectus in relation to:

(1) a 5 for 6 non-renounceable entitlement issue of 33,783,475 New Shares at an issue price of \$0.05 per New Share, plus Primary Options on the basis of one Primary Option for every two New Shares issued and allotted

AND

(2) the issue of up to 30,000,000 New Shares at an issue price of \$0.05 per New Share, plus Primary Options on the basis of one Primary Option for every two New Shares issued and allotted

Offer closes 5.00pm (EST) on 10 July 2007

This Offer is not underwritten

IMPORTANT INFORMATION

This Prospectus contains important information for you as a shareholder or prospective investor and requires your immediate attention.

It should be read in its entirety. If you have any questions as to its contents or the course you should follow, please consult your stockbroker, accountant, solicitor or other professional adviser immediately.

If you decide not to accept all or part of your entitlement to New Shares offered by this Prospectus you will receive no benefit.

Corporate Adviser
BARON PARTNERS LIMITED

BARON

IMPORTANT NOTICE

This Prospectus contains an offer to apply for New Shares (with attaching Primary Options). The Prospectus is dated 30 May 2007 and was lodged with ASIC on that date. Neither ASIC nor ASX and their respective officers take responsibility for the contents of the Prospectus. No securities will be allotted, issued or sold on the basis of the Prospectus later than its expiry date, being the date 13 months after the date of the Prospectus. The Prospectus (without an accompanying Acceptance Form) is also available on the Internet at the Company's website – www.mgil.com.au. Persons eligible to participate in the Offer are Shareholders registered on the Record Date. Those persons, if wishing to participate, must complete the Acceptance Form accompanying the paper version of the Prospectus which was mailed to them.

No person is authorised to give any information or make any representation in connection with the Offer that is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer. The Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Certain terms and abbreviations used in the Prospectus have defined meanings as set out in the Glossary. References to dollars are to Australian dollars.

An investment in the Company has the general risks associated with any investment in the share market. The Prospectus should be read in its entirety to appreciate the types of risk associated with an investment in the Company (refer to **Section 4** for further details). An investment in the Company must be considered speculative.

Applicants have no cooling off rights in relation to New Share for which they apply. This means that, other than as is required under the Corporations Act, an applicant for New Shares under the Offer is not permitted or entitled to withdraw an application, once submitted.

SUMMARY OF IMPORTANT DATES

Announcement of Offer	28 May 2007
Prospectus lodged with ASIC and ASX	30 May 2007
Record date to determine entitlements under the Offer	8 June 2007
Prospectus and Acceptance Forms sent to Shareholders	13 June 2007
Closing date for lodgement of completed Acceptance Forms	10 July 2007
Issue of New Shares	18 July 2007
Normal trading in New Shares and Options commences on ASX	19 July 2007

The above dates are subject to change and are indicative only. The Company reserves the right to amend this indicative timetable including, subject to the Corporations Act and the Listing Rules, to extend the latest date for receipt of Acceptance Forms.

Corporate Directory

Directors

Patrick Elliott (Executive Chairman)
Malcolm Richmond
James Beecher

Registered Office

Level 6
210 George Street
Sydney NSW 2000
T: (02) 9252 1505
F: (02) 9252 1507

Website: www.mgil.com.au

Auditor of the Company

KPMG
10 Shelley Street,
Sydney NSW 2000

Corporate Adviser

Baron Partners Limited
Level 32, Deutsche Bank Place
126 Phillip Street
Sydney NSW 2000

Company Secretary

James Beecher

Share Registry

Computershare Investor Services Pty Ltd
Level 5
115 Grenfell Street
Adelaide SA 5000
Tel: 1300 556 161

Stock Exchange Listing

Official list of ASX Limited

Listing Code: MGK

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CHAIRMAN'S LETTER

30 May 2007

Dear Shareholder,

As announced to the ASX today, the Board of Magnesium International Limited (ACN 003 669 163) ("**MIL**" or "**Company**") has commenced a combined capital raising process. This process involves:

- (a) the raising of up to \$1,675,000 by way of an issue of up to 33,500,000 New Shares to investors who do not require disclosure under the provisions of section 708 of the Corporations Act ("**Placement**");
- (b) the raising of up to \$1,500,000 by way of an issue of up to 30,000,000 New Shares on a first come, first served basis to eligible existing Shareholders with a holding which is, after allocation of the securities pursuant to the Entitlements Issue, less than 40,000 Shares ("**Top Up Issue**"); and
- (c) the raising of up to approximately \$1,690,000 by way of a 5 for 6 non-renounceable entitlement issue to eligible existing Shareholders involving the issue of up to 33,783,475 New Shares ("**Entitlements Issue**").

(collectively the "**Combined Capital Raising**").

The Placement and the Top Up Issue are subject to the Company obtaining prior Shareholder approval.

This Prospectus is only in relation to the Top Up Issue and the Entitlements Issue (collectively referred to as the "**Offer**"). As mentioned above, the Placement is only being offered to investors who do not require disclosure under the relevant provisions of the Corporations Act.

The proceeds of the Combined Capital Raising will be primarily used to fund:

- (a) the investigation of means to extract value from the Company's ownership of the MIL-Dow magnesium technology;
- (b) commercialisation options for the Company's magnesite resources in South Australia and the Northern Territory;
- (c) the investigation and, if appropriate, investment in resource opportunities that are presented to the Company from time to time;
- (d) general working capital; and
- (e) the costs of the Placement, the Top Up Issue and the Entitlements Issue.

Successful subscribers to the Placement will receive, for no cash consideration, one Primary Option for every two New Shares issued and allotted to that subscriber under the Placement.

The Top Up Issue involves the issue and allotment of up to 30,000,000 New Shares at an issue price of \$0.05 per New Share. Only eligible existing Shareholders with less than 40,000 Shares (after allocation of the securities pursuant to the Entitlements Issue) may participate in the Top Up Issue. The allocation of securities under the Top Up Issue will be carried out on a first come first served basis. Successful subscribers to the Top Up Issue will receive, for no cash consideration, one Primary Option for every two New Shares issued and allotted to that subscriber under the Top Up Issue.

The Entitlements Issue is an offer for eligible existing Shareholders to subscribe for five New Shares at an issue price of \$0.05 per New Share for every six Shares an existing Shareholder holds at the Record

Date. Subscribers to the Entitlements Issue will receive, for no cash consideration, one Primary Option for every two New Shares issued and allotted to that subscriber under the Entitlements Issue.

Each Primary Option issued under the Placement, Top Up Issue and the Entitlements Issue is exercisable at \$0.10 on or before 31 May 2012 and, upon exercise, will convert into a Share. In addition, upon exercise of each Primary Option the holder of that Primary Option will also be granted a Secondary Option which is exercisable at \$0.15 on or before 31 May 2015. A Secondary Option will also, upon exercise, convert into a Share.

This Prospectus provides you with details of the Offer, together with supporting documentation. I urge you to read closely all the contents of this prospectus and seek your own independent financial advice in making your decision as to whether to take up your entitlement.

Each of your Directors has agreed to ensure that, as Shareholders, they will each subscribe for the maximum number of New Shares they may subscribe for under the Entitlements Issue.

Further details on all of the matters I have mentioned in this letter are contained in the Prospectus.

If you wish to participate in the Offer, it is essential that you complete and return by the due date the acceptance form which accompanies this Prospectus.

We look forward to your continuing support of the Company.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Pat Elliott', is positioned above the printed name and title.

Pat Elliott
Executive Chairman

1. Terms of the Offer

1.1 The Offer

The Offer is made up of the Top Up Issue and the Entitlements Issue each dealt with separately below.

1.2 Placement

Whilst the Placement does not form part of the Offer, it is important that any applicant appreciate that the Placement will be occurring at the same time as the Offer and may affect the decision of any person as to whether or not they want to participate in either or both the Top Up Issue and the Entitlements Issue.

Under the terms of the Placement, up to 33,500,000 New Shares will be offered to investors who do not require disclosure under the provisions of section 708 of the Corporations Act. In addition, Subscribers to the Placement will receive one free Primary Option for every two New Shares issued and allotted to that subscriber under the Placement.

Each Primary Option issued under the Placement is exercisable at \$0.10 on or before 31 May 2012 and, upon exercise, will convert into a Share. In addition, upon exercise of each Primary Option the holder of that Primary Option will also be granted a Secondary Option which is exercisable at \$0.15 on or before 31 May 2015. A Secondary Option will also, upon exercise, convert into a Share.

1.3 15% Limit under ASX Listing Rule 7.1

The Placement, and the Top Up Issue are both subject to prior Shareholder approval pursuant to Listing Rule 7.1.

Listing Rule 7.1 known as the “15% rule”, limits the capacity of a company to issue securities without the prior approval of its shareholders. In broad terms, this Listing Rule provides that a company may not, in a twelve month period, issue securities equal to more than 15% of the total number of ordinary securities on issue at the beginning of the twelve month period unless the issue is first approved by shareholders or it otherwise falls within one of the exceptions to Listing Rule 7.1.

The number of New Shares proposed to be issued pursuant to each of the Placement, and the Top Up Issue exceeds 15% in number of the Existing Shares. Therefore, each of the Placement and the Top Up Issue is subject to prior Shareholder approval.

1.4 Top Up Issue

The Top-Up Issue involves the issue and allotment of up to a maximum of 30,000,000 New Shares at an issue price of \$0.05 per Share to raise up to a maximum of \$1,500,000. The Top Up Issue is an offer only to each eligible existing Shareholder with a holding which is, after allocation of the securities pursuant to the Entitlements Issue, less than 40,000 Shares (“**Eligible Top Up Subscriber**”).

The minimum Top Up number of Shares which an Eligible Top Up Subscriber may subscribe for is the number of Shares which takes that holder’s holding to 10,000 Shares.

The maximum Top Up number of Shares which an Eligible Top Up Subscriber may subscribe for is the number of Shares which takes that holder’s holding to 40,000 Shares.

The allocation of securities under the Top Up Issue will be carried out on a first come first served basis.

Successful subscribers to the Top Up Issue will be issued with one free Primary Option for every two New Shares issued and allotted to that subscriber under the Top Up Issue. Each Primary Option issued under the Top Up Issue and the Entitlements Issue is exercisable at \$0.10 on or before 31 May 2012 and, upon exercise, will convert into a Share. In addition, upon exercise of each Primary Option the

holder of that Primary Option will also be granted one Secondary Option which is exercisable at \$0.15 on or before 31 May 2015. A Secondary Option will also, upon exercise, convert into a Share.

1.5 Entitlements Issue

The Entitlements Issue is a non-renounceable offer to all eligible existing Shareholders to acquire five New Shares at an issue price of \$0.05 per New Share for every six Shares held by that Shareholder at the Record Date. Assuming full subscription, the Entitlements Issue involves the issue of a maximum of 33,783,475 New Shares to raise \$1,689,174. The offer under the Entitlements Issue is made to eligible existing Shareholders registered at 5.00pm EST on the Record Date. Fractional entitlements to New Shares will be disregarded.

Subscribers to the Entitlements Issue will be issued with one free Primary Option for every two New Shares issued and allotted to that subscriber under the Entitlements Issue. Fractional entitlements to Primary Options will be disregarded.

1.6 Primary Options

Each Primary Option issued under the Placement, Top Up Issue and the Entitlements Issue is exercisable at \$0.10 on or before 31 May 2012. Upon exercise of each Primary Option, one Secondary Option will be granted which is exercisable at \$0.15 on or before 31 May 2015. A Primary Option and a Secondary Option, upon their respective exercise, will each convert into one Share.

1.7 Offer not underwritten

The Offer is not underwritten. If the Entitlements Issue is not fully subscribed, the Directors intend to offer those New Shares and Primary Options not subscribed for to eligible investors. In the event that those securities were taken up by eligible investors, the effect would be within the parameters as shown in Section 3.3.

1.8 Rights attaching to the New Shares

Immediately after issue and allotment of the New Shares, the New Shares will be fully paid Shares. There will be no liability for any calls. The New Shares will rank *pari passu* with Shares currently on issue, other than Shares issued under the Placement, the allottees of which will not be permitted to participate in either the Top Up Issue or the Entitlements Issue. Detailed provisions relating to the rights attaching to Shares and Options are set out in the Constitution and the Corporations Act. A copy of the Constitution can be inspected during office hours at the registered office of MIL.

See Section 6.4 for a summary of the rights attaching to the New Shares and Section 6.5 for terms of the Primary Options and the Secondary Options.

1.9 ASX quotation of the New Shares and Options

Within seven days after the date of this Prospectus, an application will be made to the ASX for the New Shares and Primary Options issued under the Placement, the Top Up Issue and the Entitlements Issue to be quoted on ASX.

If ASX does not give permission for quotation of the New Shares and the Primary Options within three months after the date of this Prospectus (or a later date permitted by ASIC), none of the New Shares and Primary Options will be issued and if any have been issued, the issue will be void, unless ASIC grants an exemption permitting the issue. In order to obtain permission for the quotation of the Primary Options, it will be necessary to, *inter alia*, allot in aggregate at least 100,000 Primary Options to no less than 50 holders (excluding any holders whose Primary Options would be restricted by the ASX). The Directors are confident that this requirement will be satisfied. If no issue is made or if an issue is void, all monies paid on application for the New Shares will be refunded without interest within the time period prescribed under the Corporations Act.

It is expected that quotation of the New Shares and Primary Options will initially be on a deferred delivery basis and following issue the New Shares will be quoted in the same class as the Existing Shares.

1.10 Issue of Securities

No New Shares or other securities will be issued on the basis of this Prospectus later than the expiry date of this Prospectus being the date 13 months after the date of this Prospectus.

The dispatch of holding statements will be effected in accordance with the timetable prescribed in the Listing Rules.

1.11 Overseas Shareholders

The securities being offered under the Prospectus are not offered in any jurisdiction other than Australia.

1.12 Actions to be taken by Shareholders – Top Up Issue

(i) If you wish to subscribe for New Shares under the Top Up Issue

Firstly, you must be an Eligible Top Up Subscriber (defined in **Section 1.4** above). Complete the accompanying Acceptance Form **related to the Top Up Issue** in accordance with the instructions set out in the form. Completed Acceptance Forms, together with a cheque or bank draft in Australian currency for the amount shown on the form, must be forwarded to reach the Registry no later than 5:00pm EST on 10 July 2007. Acceptance Forms may not be withdrawn by an applicant after delivery in accordance with this Prospectus. The minimum Top Up number of Shares which an Eligible Top Up Subscriber may subscribe for is the number of Shares which takes that holder's holding to 10,000 Shares. The maximum Top Up number of Shares which an Eligible Top Up Subscriber may subscribe for is the number of Shares which takes that holder's holding to 40,000 Shares.

(ii) If you do not wish to subscribe for New Shares under the Top Up Issue

You will not receive those New Shares and Primary Options the subject of the Top Up Issue nor any benefit for them.

Note that if after implementation of the Top Up Issue and the Entitlements Issue your total Shareholding is less than a Marketable Parcel, then the Company intends to sell your Unmarketable Parcel of Shares, on your behalf, as permitted under Rule 8A of the Constitution. This process will be detailed in a Letter of Intent from the Company which will be sent to all Shareholders who hold Unmarketable Parcels following the close of the Entitlements Issue. The sale process will commence no earlier than 45 days after the date of issue of the Letter of Intent.

The Company intends to appoint a licensed dealer for the purposes of offering Unmarketable Parcels of Shares for sale to third parties.

1.13 Rationale for Selling Unmarketable Parcels

As previously advised by the Board, one of the reasons for the Company proposing to sell Unmarketable Parcels of Shares is that such Shareholdings create significant administrative costs for the Company. The Board resolved on 25 May 2007 to create an orderly market process to sell Unmarketable Parcels of Shares. The mechanism for this process is set out in Rule 8A of the Constitution.

In terms of the Company, the minimum security holding defined for these purposes is a Marketable Parcel. Naturally, the Share price fluctuates so the price a Shareholder will receive if the Company sells that Shareholder's Unmarketable Parcel of Shares will be the market price of the Shares at the time of sale. Having regard to the currently limited liquidity in the Shares and the number of Shares to be sold, the price to be achieved by the Company is likely to be at a discount to the price at which the Shares will be trading at or around the date of sale. The Board expects that the likely discount to that market price in order to achieve the sale of an Unmarketable Parcel of Shares will be in the order of 10%.

As the administrative costs of implementing the above process are significant, the Company will charge a fee to each Shareholder on the sale of that Shareholder's Unmarketable Parcel of Shares of \$25 which will be deducted from the sale proceeds of that Shareholder's Unmarketable Parcel of Shares. If the sale proceeds of an Unmarketable Parcel does not exceed \$25, the holder of that parcel will be charged a fee equal to those sale proceeds. The proposal for selling Unmarketable Parcels was approved by Shareholders at a general meeting in February 2005, and will be conducted in accordance with the Constitution.

Important: If you do not want the Company to sell your Unmarketable Parcel of Shares on the terms which will be set out in the Letter of Intent, you will be able to notify the Company and, in such case, the Company will not sell your Unmarketable Parcel of Shares. If you fail to notify the Company of your desire to retain your Unmarketable Parcel of Shares, the Company will sell those Shares.

1.14 Actions to be taken by Shareholders – Entitlements Issue

(i) If you wish to take up all of your entitlement under the Entitlements Issue

Complete the accompanying Acceptance Form **related to the Entitlements Issue** in accordance with the instructions set out in the form. Completed Acceptance Forms, together with a cheque or bank draft in Australian currency for the amount shown on the form, must be forwarded to reach the Registry no later than 5:00pm EST on 10 July 2007. Acceptance Forms may not be withdrawn by an applicant after delivery in accordance with this Prospectus.

(ii) If you wish to take up only part of your entitlement under the Entitlements Issue

Complete the accompanying Acceptance Form for the number of New Shares you wish to subscribe for. Completed Acceptance Forms together with a cheque or bank draft in Australian currency for the amount due for the New Shares you wish to take up must be forwarded to reach the Registry no later than 5:00pm EST on 10 July 2007. Acceptance Forms may not be withdrawn by an applicant after delivery in accordance with this Prospectus.

(iii) If you do not wish to take up any of your entitlement for Shares under the Entitlements Issue

You will not receive those New Shares and Primary Options the subject of the Entitlements Issue nor any benefit for them.

1.15 Payment for New Shares

The completed Acceptance Form must be accompanied by payment in full. Cheques or bank drafts must be payable to “**Magnesium International Limited Trust Account**” and crossed “**Not Negotiable**”. Receipts for payments will not be issued. Payment will only be accepted in Australian currency and as follows:

- a bank draft drawn on and payable at any Australian bank; or
- a cheque drawn on and payable at any Australian bank.

1.16 Withdrawal of Offer

The Company reserves the right to withdraw any one or more or all of the Top Up Issue, or the Entitlements Issue at any time.

2. Financial and Operational Position of MIL

Magnesite Resources

MIL owns two magnesite deposits in Australia, being:

- the Mount Hutton deposit near Leigh Creek, South Australia (ML 6092); and
- the Huandot magnesite deposit, near Batchelor, Northern Territory (ML 23292).

A review of the possible commercialisation options for these assets is currently under way.

EMAG Project

On 1 August 2005, The Egyptian Magnesium Company S.A.E. (“**EMAG**”) was registered in Egypt with its initial shareholding being 50% MIL and 50% Amiral Magnesium Overseas Ltd (“**Amiral**”). In June 2006 MIL acquired the remaining 50% interest in EMAG from Amiral, making EMAG a wholly owned subsidiary of MIL. The terms of EMAG’s registration stated that it had to commence operations and own land in Egypt before the first anniversary of its date of registration, failing which the Egyptian regulator would take the necessary steps to retract the registration approval. On 19 July 2006, the regulator extended the abovementioned period for 1 year, to 1 August 2007.

On 2 February 2006, the shareholders’ agreement between the abovementioned shareholders of EMAG was terminated save for the preservation of obligations relating to:

- the basis of funding obligations for EMAG;
- the permitted usage and acknowledgement as to ownership of title to the Dow technology; and
- the maintenance of confidentiality between the parties.

On 15 February 2007, MIL announced that it was placing the EMAG project on a maintenance basis, closing the EMAG office in Egypt and releasing its Egyptian located staff.

EMAG currently does not have the financial resources to pay potential Egyptian tax obligations that may be levied, which the Company estimates could be up to US\$165,000.

Also on 2 February 2006, EMAG and Amiral entered into the Amiral Royalty and Services Agreement. The agreement provides for a payment by EMAG to Amiral on 3 February 2007 of US\$125,000 and further payments if the Company or EMAG raises more than US\$2 million in equity for the provision of services upon rendering of invoices on a timely basis. No invoices have been received and the Company believes that Amiral has failed to provide EMAG with the agreed services. Further the Company believes that Amiral has not met its funding obligations to provide substantial funds to EMAG under the original Shareholders Agreement.

In light of the above, the Company believes that no payments are due from it to either Amiral or EMAG and advises that it has no current intention to provide EMAG with any further funds.

Dow Technology

MIL retains the exclusive rights until 2020 to the Dow technology for magnesium production which produced magnesium metal for over 60 years. The Company recently announced that it proposes to joint venture or licence the MIL-Dow technology.

At 30 April 2007, the date of MIL’s latest unaudited monthly management accounts, MIL had cash of \$1.3 million. The unaudited balance sheet at that date is set out in **Section 3**.

3. Effect of Offer on MIL

3.1 Use of funds

The Directors intend to apply the approximately \$3.19 million funds (assuming full subscription) raised from the Offer, together with funds of \$1.675 million raised in the Placement, towards:

- (a) the investigation of means to extract value from the Company's ownership of the MIL-Dow magnesium technology;
- (b) commercialisation options for the Company's magnesite resources in South Australia and the Northern Territory;
- (c) the investigation and, if appropriate, investment in resource opportunities that are presented to the Company from time to time;
- (d) general working capital; and
- (e) the costs of the Placement, the Top Up Issue and the Entitlements Issue.

If any Options are exercised in the future, the Directors' present intention is to utilise the proceeds from the exercise of those Options to add to the funds available for working capital.

The Directors believe it is highly likely that the Top Up Issue and Entitlements Issue will not be fully subscribed. See Section 1.7 in regard to the Directors' intentions if the Entitlements Issue is not fully subscribed.

3.2 Principal effects

For the purpose of complying with the relevant disclosure requirements of the Corporations Act, and assuming **full subscription** of the Combined Capital Raising (which the Directors believe is unlikely to occur), the principal effects of the Offer, in combination with the Placement will be as follows:

- The number of Shares on issue will increase by up to 97,283,475 from 40,540,170 to a maximum of 137,823,645, as detailed below:
 - Top Up Issue: 30,000,000 New Shares to be issued (maximum);
 - Entitlements Issue: 33,783,475 New Shares to be issued (maximum); and
 - Placement: 33,500,000 New Shares to be issued.New Shares issuable as part of the Combined Capital Raising (maximum): 97,283,475.
- The Company's cash reserves in the immediate term, (subject to deductions for payment of costs of the Combined Capital Raising) would be increased, as follows:
 - Top Up Issue: 30,000,000 New Shares at \$0.05 per New Share to raise \$1,500,000;
 - Entitlements Issue: 33,783,475 Shares at \$0.05 per New Share to raise \$1,689,174; and
 - Placement: 33,500,000 Shares at \$0.05 per New Share to raise \$1,675,000.Total of Combined Capital Raising (maximum): \$4,864,174.
- The number of Options on issue will increase by up to 48,641,737 from 2,240,200 to a total of 50,881,937, as a result of the following Primary Options pursuant to the Combined Capital Raising, as detailed below:
 - Top Up Issue: 15,000,000 Primary Options;
 - Entitlements Issue: 16,891,737 Primary Options; and
 - Placement: 16,750,000 Primary Options.

The above excludes Secondary Options that are granted upon exercise of a Primary Option issued under the Combined Capital Raising.

- The Company will have “deferred capital” in the nature of the Primary and Secondary Options as follows:
 - Top Up Issue
 - Up to 15,000,000 Primary Options exercisable at \$0.10 per Primary Option to raise up to \$1,500,000.
 - Up to 15,000,000 Secondary Options exercisable at \$0.15 per Secondary Option to raise up to \$2,250,000.
 - Entitlements Issue
 - Up to 16,891,737 Primary Options exercisable at \$0.10 per Primary Option to raise up to \$1,689,173.70.
 - Up to 16,891,737 Secondary Options exercisable at \$0.15 per Secondary Option to raise up to \$2,533,760.50.
 - Placement
 - Up to 16,750,000 Primary Options exercisable at \$0.10 per Primary Option to raise up to \$1,675,000.
 - Up to 16,750,000 Secondary Options exercisable at \$0.15 per Secondary Option to raise up to \$2,512,500.

Total of funds raised if **all** Primary and **all** Secondary Options are exercised would be \$12,160,434. The Directors believe it is unlikely that such an amount will be raised under the Combined Capital Raising.

3.3 Capital structure after completion of Combined Capital Raising

A table setting out the capital structure of the Company upon a theoretical full subscription and implementation of the Combined Capital Raising, but prior to exercise of any Primary Options, is set out below:

Shares:

Existing Shares	40,540,170
New Shares issued under the Top Up Issue	30,000,000
New Shares issued under the Entitlements Issue	33,783,475
New Shares issued under the Placement	33,500,000
Total Shares	137,823,645

Options:

Existing Options	2,240,200
Primary Options issued under the Top Up Issue	15,000,000
Primary Options issued under the Entitlements Issue	16,891,737
Primary Options issued under the Placement	16,750,000
Total Options	50,881,937

On the basis that all Primary Options issued under the theoretical maximum Combined Capital Raising are exercised, the number of Primary Options will be nil, the number of Shares on issue will increase by 48,641,737, and 48,641,737 Secondary Options will be on issue.

The table above assumes that:

- (i) no Existing Options are exercised prior to the Record Date; and
- (ii) the Top Up Issue, Entitlements Issue, and the Placement are each fully subscribed.

3.4 Pro forma statement of financial position

The table below shows (i) the unaudited statement of financial position as at 30 April 2007 (extracted from management accounts), and (ii) the pro forma statement of financial position at 30 April 2007 adjusted for completion of the Offer on the assumptions set out in **Section 3.3**. It is intended to be illustrative only and it reflects neither the actual position of the Company as at the date of this Prospectus nor at the conclusion of the Offer or the Combined Capital Raising. In particular, it does not reflect actual expenditure of funds since 30 April 2007 or the actual value of the Company's assets as at the date of this Prospectus.

Pro forma unaudited consolidated statement of financial position

\$000	As at 30 April 2007	Actual Unaudited	Pro Forma (Level 1)	Pro Forma (Level 2)
Current Assets				
	Cash	1,298	4,342	5,822
	Trade and other receivables	138	138	138
	Total Current Assets	1,436	4,480	5,960
Non current Assets				
	Property, plant and equipment	232	232	232
	Total Non current Assets	232	232	232
	TOTAL ASSETS	1,668	4,712	6,192
Current Liabilities				
	Trade and other payables	(240)	(240)	(240)
	TOTAL LIABILITIES	(240)	(240)	(240)
	NET ASSETS	1,428	4,472	5,952
Equity				
	Issued capital	91,202	94,246	95,726
	Share compensation expense	243	243	243
	Currency translation reserve	71	71	71
	Accumulated Losses	(90,088)	(90,088)	(90,088)
	TOTAL EQUITY	1,428	4,472	5,952

- (a) The above table uses unaudited management accounts dated 30 April 2007 as the basis for the pro forma, as these are the Company's most recently available management accounts.
- (b) The 'Level 1' pro forma column assumes subscriptions are received in full for the Placement and Entitlements Issue, and that no subscriptions are received for the Top Up Issue.
- (c) The 'Level 2' pro forma column assumes subscriptions are received in full for the Placement, Entitlements Issue and Top Up Issue.

4. Risk Factors

Shareholders should be aware that subscribing for New Shares under the Top Up Issue and the Entitlements Issue involves various risks. There are general risks associated with owning securities in publicly listed companies. The price of securities can go down as well as up due to factors outside the control of MIL. These factors include (but are not limited to) Australian and worldwide economic and political stability; natural disasters; the performance of the Australian stock market as a whole; Australian and international interest rates; foreign exchange rates; and taxation and industrial relations environments both in Australia and elsewhere.

The operating results of MIL are sensitive to a number of factors. The following matters, as well as others described elsewhere in this Prospectus, should be carefully considered in evaluating MIL and its prospects:

(a) Exploration and Developments

The value of MIL's securities and the profitability of MIL may be influenced by the results of exploration. Whilst the mineral tenements in which MIL has an interest are at various stages of exploration, Shareholders should understand that any acquisition of additional mining tenements, mineral exploration and development are high-risk undertakings. These are all exposed to factors that are out of the control of MIL including geological conditions and commodity prices. Further exploration on the existing tenements that MIL has an interest in may be unsuccessful or uneconomical, resulting in a reduction in the value of those tenements, diminution in the cash flow and cash reserves of MIL and possible relinquishment of the exploration tenements and mining tenements may not be granted.

(b) Operating Risks

The operations of MIL may be affected by various factors, including failure to locate or identify mineral deposits, failure to secure mining tenements, failure to achieve predicted grades in exploration, failure to enter production agreements on tenements held which in future become productive, unanticipated costs of consumables, plant and equipment, mechanical failure, technical and operational difficulties and local political unrest. MIL may also be unsuccessful in its strategy to realise value for the MIL-Dow technology for producing magnesium.

(c) Commodity Price Volatility and Exchange Rates

The value of MIL is exposed to commodity and exchange rate fluctuations which react to the economic climate, market forces of supply and demand and other factors beyond the control of MIL. The exposure to commodity price and exchange rate volatility may adversely affect the potential income of MIL.

(d) Resource Estimates

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. This may result in alterations to exploration, development and mining plans which may, in turn, adversely affect the value of MIL's business.

(e) Dependence on General Economic Conditions

In common with other companies, MIL may be affected by general economic conditions, including interest rate levels, currency exchange rates, tax regulations and tax rates, global and national economic cycles, global and national political stability, employment rates and conditions, inflation, changing consumer demands and business and consumer spending. Any changes in government fiscal, monetary and regulatory policies may also adversely affect MIL's business.

(f) Price and Liquidity for Shares

An investment in shares should be regarded as speculative. The price of shares can rise or fall. It can be affected by a range of factors affecting stock markets generally, or the industry in which MIL operates. Those matters are often beyond the control of MIL. In addition, liquidity in the trading of shares (whether on ASX or otherwise) can be affected by a range of matters beyond the control of MIL. Furthermore, there is no guarantee of any return in respect of an investment in shares, whether by way of profit or capital.

In particular, the price of many stocks listed on ASX have, in recent times, been subject to large fluctuations which, in some cases, may have been unrelated to the operating performance of the individual companies concerned. Such fluctuations may adversely affect the market price of the Shares.

(g) Future Capital Requirements

Although the Combined Capital Raising will raise additional capital for MIL, there can be no assurance that further financing will not be required in the future.

If the Placement, the Entitlements Issue, or the Top Up Issue is not completed for any reason (including as a result of failure to obtain shareholder approval for the Placement, and/or the Top Up Issue), the funds available to the Company will be reduced, thereby limiting the scope of activities proposed by the Company. The Company may be required to investigate other forms of financing in the future. The Company has no reason to believe that the necessary shareholder approvals will not be obtained or that the Placement, the Entitlements Issue, or the Top Up Issue will not proceed.

(h) Reliance on Key Personnel

MIL's success may depend in part on the continued services of its key employees and contractors. The loss of services of one or more of MIL's key employees or contractors could have a material adverse effect on MIL's business, operating results and financial condition.

(i) Environmental

Mining is an industry that has become subject to increasing environmental responsibility and liability. The potential for liability is an ever-present risk.

The operations and possible future activities of MIL are subject to laws and regulation concerning the environment. As with most exploration projects, MIL's activities are expected to have some impact on the environment, particularly if advanced exploration or field development proceeds. It is MIL's intention to conduct its activities to the highest standard of environmental obligation including compliance with all environmental laws. Nevertheless, there are certain risks inherent in MIL's activities that could subject MIL to liability.

(j) Title Risks

The mining tenements in which MIL has or may in the future acquire an interest are subject to Australian laws and regulations. There is no guarantee that any tenement applications or conversions in which MIL has a current or potential interest will be granted.

(k) Native Title

Tenement applications and activities on granted tenements may require MIL to consult with the relevant landholders and/or representative bodies to gain or maintain access to the underlying land. There is no guarantee that such negotiations will be successful.

(l) Further risks specific to MIL

The current and future operations of MIL, including acquisition, exploration, appraisal and development activities, may be affected by a range of factors, including:

- geological conditions;
- alteration to exploration and production programs and budgets and retention of exploration licences;

- unanticipated operational and technical difficulties and expenses;
- mechanical failure of operating plant and equipment, adverse weather conditions, industrial and environmental accidents, industrial disputes and other force majeure events;
- unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment;
- prevention or restriction of access by reason of political unrest, outbreak of hostilities or inability to obtain consents or approvals (including access agreements entered into with indigenous people); and
- uninsured losses or liabilities.

(m) New Acquisitions

MIL intends to investigate and, where appropriate, implement investment opportunities in metals, minerals and resources. There are no guarantees that MIL will be able to identify appropriate opportunities or complete any acquisitions on terms acceptable to MIL. The costs involved in investigating and implementing any such opportunities could be material in relation to the funds available to the Company. If funding in excess of the Company's resources is required, there is no guarantee that such funding would be able to be raised on terms acceptable to MIL.

5. MIL and its Directors

5.1 Interests of Directors in MIL

At the date of the Prospectus, the Directors of the Company and the number of Shares and Existing Options in which Directors and their Associates have a Relevant Interest are as follows:

Director	Shares	Existing Options
Patrick Elliott (executive chairman)	211,166	150,000
Malcolm Richmond	Nil	150,000
James Beecher	29,167	100,000

At the date of the Prospectus, the number of Shares in which Directors have voting control, and the entitlements pertaining thereto, are as follows:

Director	Shares	Entitlements
Patrick Elliott	211,166	175,971
Malcolm Richmond	Nil	Nil
James Beecher	29,167	24,305

Each of the Directors has given the Company a written acknowledgement that, in respect of Shares over which the Director has voting control, he will, to the full extent of their respective entitlements, participate in the Entitlements Issue and the Top Up Issue.

5.3 No other interests

Except as set out in this Prospectus, there are no interests that exist at the date of this Prospectus and there were no interests that existed within two years before the date of this Prospectus that are, or were respectively, interests of a Director, a proposed Director of the Company in the promotion of the Company or in any property proposed to be acquired by the Company in connection with its formation or promotion or the Offer. Further, there have been no amounts paid or agreed to be paid to a Director in cash or securities or otherwise by any persons either to induce him to become or to qualify him as a Director or otherwise, for services rendered by him in connection with the promotion or formation of MIL.

6. Additional Information

6.1 Capital structure

As at the date of this Prospectus, the Company has 40,540,170 Shares on issue. On completion of the Top Up Issue, the Placement, and the Entitlements Issue, and assuming full subscription of all those issues, the number of Shares on issue will be 137,823,645.

The Directors believe it is highly likely that the Top Up Issue and Entitlements Issue will not be fully subscribed.

There are 2,240,200 Existing Options currently on issue. The various exercise prices of these options are all materially out-of-the-money and currently there is no realistic prospect of these options being exercised.

Potentially, under the Combined Capital Raising (if fully subscribed and all Primary Options and Secondary Options were exercised) a total of 48,641,738 Shares could be issued upon exercise of those Options. This number excludes the impact that the exercise of Existing Options would have on the total number of issued Shares.

The table at **Section 3.3** illustrates the pro forma capital structure.

6.2 Legal proceedings

Except as set out in the Company's publicly disclosed annual report for the year to 30 June 2006 and the half-year report for the six months to 31 December 2006, or as disclosed in this Prospectus, the Company is not and has not been, during the 12 months preceding the date of this Prospectus, involved in or threatened with the commencement of, any legal or arbitration proceedings which have had or may have a significant effect on the financial position on the Company

6.3 Notice of acceptance

A notice of acceptance of New Shares is only effective when the Company has received the full amount of the price for those New Shares in cash or cleared funds.

6.4 Rights attaching to the New Shares

The following information is a summary of key provisions of the Constitution of the Company. Shareholders have the right to acquire a copy of the Constitution, free of charge, from the Company until the expiry of this Prospectus. The Constitution is subject to the provisions of the Corporations Act, Listing Rules and ASTC Settlement Rules.

Each Share confers on its holder:

- The right to vote at a general meeting of Shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (one vote per shareholder) and on a poll (one vote per Share on which there is no money due and payable) subject to the rights and restrictions on voting which may attach to or be imposed on Shares (at present there are none);
- The right to receive dividends, according to the amount paid up on the Share;
- In a winding up, subject to the rights of a liquidator to distribute surplus assets of the Company with the consent of members by special resolution:
 - (a) where the assets available for distribution are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the right to receive a proportion of the excess according to the capital paid up by the Shareholder at the commencement of the winding up; or

- (b) where the assets available for distribution are insufficient to repay the whole of the paid up capital, the burden of bearing the loss is in proportion to the capital paid up by the Shareholder at the commencement of the winding up.

Subject to the Corporations Act and the Listing Rules, Shares are fully transferable.

The rights attaching to Shares may be varied with the approval of Shareholders in general meeting by special resolution.

6.5 Terms of Primary Options

6.5.1 Entitlement

- (a) Each Primary Option entitles the holder of that Option (the “**Participant**”), upon payment of \$0.10 per Primary Option to:
 - (1) subscribe for and be allotted, credited as fully paid, one Share; and
 - (2) be allotted one Secondary Option in respect of every Primary Option exercised by the Participant.
- (b) Each Secondary Option entitles the Participant, upon payment of \$0.15 per Secondary Option, to subscribe for and be allotted, credited as fully paid, one Share.
- (c) Unless the terms upon which a New Option has been granted provide otherwise, a Share issued on the exercise of a New Option will rank pari passu with all Existing Shares from the date of issue and will be entitled to those dividends which have a record date for determining entitlements after the date of issue.

6.5.2 Exercise Dates

Subject to Paragraph 6.5.3, a Primary Option may be exercised by the Participant at any time on or before 31 May 2012 and a Secondary Option may be exercised by the Participant at any time on or before 31 May 2015.

6.5.3 Method of exercise of New Options

- (a) An Option is exercisable by the Participant providing to the Company Secretary or such other persons as the Board designates, a completed notice (in the form required by the Company) of exercise of the Option and application for Shares.
- (b) Options must be exercised in multiples of 1,000, unless the Participant exercises all Options able to be exercised at that time. The exercise of some Options only does not affect the Participant’s right to exercise other Options at a later time. If the Participant exercises less than all Options represented by a certificate, then the Company will cancel the relevant Option certificate and issue a new Option certificate for the balance.

6.5.4 Expiry of Options

Any Primary Option not exercised will expire on 31 May 2012. Any Secondary Option not exercised will expire on 31 May 2015.

6.5.5 Transfers and encumbrances

- (a) The Participant may transfer, encumber or otherwise deal with the Options.
- (b) The Options may be freely transferred by the Participant without the prior written consent of the Board.

6.5.6 Quotation of Options

Primary Options and Secondary Options will be quoted on ASX, subject to ASX requirements.

6.5.7 Participation in future issues

(a) Participation Generally

The Participant cannot participate in new issues of securities to holders of Shares unless the Option has been exercised and the Shares are allotted and registered in respect of the Option before the record date for determining entitlements to the issue. The Company must give notice to the Participant of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules. Options can only be exercised in accordance with the terms set out in this Prospectus and as noted on the Option certificate.

(b) Bonus Issues

If the Company makes a pro rata bonus issue of Shares to holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Shares have been allotted and registered in respect of an Option before the record date for determining entitlements to the bonus issue, then the number of Shares or other securities for which the Participant is entitled to subscribe on exercise of the Option is increased by the number of Shares or other securities that the Participant would have received if the Option had been exercised before the record date for the bonus issue.

(c) Rights Issues

If the Company makes a pro rata issue of securities (except a bonus issue) to the holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the exercise price of an Option shall be reduced according to the formula specified in the Listing Rules.

(d) Reconstruction

In the event of any reconstruction of the issued ordinary capital of the Company the number of Shares attaching to each Option or the Exercise Price per Share of an Option or both will be reconstructed in the manner as specified in the Listing Rules applying at the time of the reconstruction. If the manner is not specified in the Listing Rules then the Board will determine the reconstruction provided that the number of Options or the exercise price, or both, must be reorganised so that the Participant will not receive a benefit which the Shareholders of the Company do not receive. This rule does not prevent a rounding up of the number of securities to be received on exercise if the rounding up is approved at the security holders' meeting which approves the reconstruction.

(e) Advice

The Company will give notice to the Participant of any adjustment to the number of Shares which the Participant is entitled to subscribe for or be issued on exercise of an Option or the exercise price per Share in accordance with the Listing Rules.

6.5.8 Quotation of Shares

If at the time Shares are issued upon the exercise of Options, Shares are quoted on ASX, the Company must within the time prescribed by the Listing Rules make application to ASX for quotation of those Shares.

6.6 Material contracts

Set out below is a brief summary of the more important provisions of the agreements which the Directors have identified as material to Shareholders for the purpose of this Prospectus:

Dow Magnesium Technology Agreement

On 22 November 2006, SAMAG Ltd, a wholly owned subsidiary of MIL, and the Dow Chemical Company (“**Dow Chemical**”) of Michigan USA entered into a Restated Magnesium Document

Agreement relating to the use of certain technical reports and other information related to magnesium production (the "**MT Agreement**").

The terms of the MT Agreement were the restatement and consolidation of the original Dow Magnesium Technology Agreement signed on 14 July 1999 and subsequent variation agreements dated 6 December 1999, 29 June 2001 and 27 November 2001 (collectively the "**Variation Agreements**"). The MT Agreement authorised SAMAG to assign all its rights and obligations to MIL, MIL was assigned the benefit of the MT Agreement on 22 November 2006. Dow Chemical similarly assigned its rights and obligation to Dow Global Technologies Inc on 17 January 2007.

The relevant terms of the MT Agreement are summarised as follows:

- Dow Chemical has granted to MIL and its subsidiaries an exclusive global licence to use the information contained in certain documents directly related to magnesium production (the "**Magnesium Documents**"), as well as certain specified customer service literature (collectively, with the Magnesium Documents, the "**Dow Documentation**") to make, use and sell magnesium products and to construct plants anywhere in the world.
- Dow Chemical has granted to MIL and its subsidiaries the exclusive global right to sub-licence their rights under the MT Agreement and to reproduce, adapt or modify any information contained in the Dow Documentation for distribution to third parties, provided there is no representation made to any third party that the reproduced, adapted or modified information comes from Dow Chemical.
- Dow Chemical retained copyright in the Dow Documentation.
- Between 8 November 1999 and 1 January 2020, Dow Chemical is prohibited from offering or licensing any of the Magnesium Documents or any information contained in any Magnesium Documents to any third party for the manufacture of magnesium or magnesium articles, other than in certain, limited cases. Dow does, however, remain entitled to use the Magnesium Documents and the information contained in the Magnesium Documents for its own internal uses and may licence or transfer the same to third parties in certain, limited, cases.
- Pursuant to the terms of the MT Agreement and the Variation Agreements, in addition to sums already received, a further US\$4,900,000 is payable to Dow Chemical by MIL within thirty days after Financial Close to construct a magnesium manufacturing facility. Financial Close means, for the purpose of this Agreement, the date upon which a wholly owned subsidiary of the Company receives final approval for the funding of the construction a magnesium manufacturing facility.
- Under the terms of the MT Agreement, MIL will be required to pay to Dow Chemical a one-off fee of US\$44 per metric ton, to be calculated on the basis of the volume of magnesium produced, within thirty days of the end of the first year that its production of magnesium exceeds 50,000 metric tons.
- MIL will also be required to pay to Dow Chemical one third of all licence fees, royalties or other consideration that it receives from third parties (other than MIL's subsidiaries) in consideration for the right to use the Magnesium Documents or any information contained therein.

Dow Dryer Licensing Agreement

On 3 May 2001, SAMAG and Dow Chemical entered into a dryer licensing agreement (the "**Licence Agreement**") pursuant to which Dow Chemical sold to SAMAG various fluid bed dryers and ancillary equipment (the "**Equipment**").

The terms of the Licence Agreement were varied by subsequent agreements dated 27 November 2001, 17 June 2003, 11 June 2004 and 22 November 2006. The last variation assigned the rights and obligations of the Licence Agreement to MIL and Dow Global.

The relevant terms of the Licence Agreement are summarised as follows:

- Under the terms of the Licence Agreement Dow Global has agreed to:
 - (i) provide technical assistance to MIL through the provision of certain technical documentation (the "**Technical Documents**"). Dow Global has satisfied this obligation and is not required to provide any further technical assistance to MIL;
 - (ii) grant to MIL a non-exclusive licence of the technology contained in the Technical Documents and/or the Equipment (the "**Technology**") to make, have made and use the fluid bed dryers in the territory (i.e. Australia, New Zealand, Egypt, Qatar and Abu Dhabi) solely for the purpose of manufacturing magnesium and selling the same globally; and
 - (iii) permit MIL to sub-licence the Technology to MIL's subsidiaries and, with the prior consent of Dow Global, to any other third party.
- In consideration for the matters agreed to by Dow Global referred to immediately above, MIL has agreed to pay to Dow Global (a) an initial licence fee and (b) a quarterly royalty payable from the first day of the quarter after MIL begins using a fluid bed dryer for commercial production of magnesium and ending on the seventh anniversary of that date. MIL will be required to pay the final amount owing in respect of the initial licence fee, being US\$40,000 within 30 days after Financial Closure.
- The term of the Licence Agreement will expire 10 years after Financial Closure (i.e. on 30 June 2017). After that date both MIL and Dow Global will have a royalty free right to the use the Technology for any purpose, so long as neither infringes any patents owned by the other or any third party.
- MIL may terminate the Licence Agreement at any time during its term, upon giving notice.
- Dow Global is only entitled to terminate the Licence Agreement if MIL experiences an insolvency event, fails to achieve Financial Close on or before 1 July 2007 or materially breaches the provisions of the Licence Agreement and fails to rectify such breach within thirty days of receiving written notice to do so. Financial Close means, for the purpose of this Licence Agreement, the date upon which a wholly owned subsidiary of the Company receives final approval of funding to construct a magnesium manufacturing facility in the territory (i.e. Australia, New Zealand, Egypt, Qatar and Abu Dhabi). The Company does not expect that any of its wholly owned subsidiaries (including SAMAG) will achieve Financial Closure by 1 July 2007. Accordingly, Dow Global may become entitled to terminate the Licence Agreement from 1 July 2007. The Company does not consider a termination by Dow Global as significant, as it believes it can obtain suitable alternative dryer equipment from international vendors who offer equivalent equipment to dry magnesium chloride.

6.7 Investor considerations

Before taking up your entitlement under this Offer, you should consider whether the New Shares to be issued and allotted are a suitable investment for you. There are general risks associated with any investment in the stock market. The value of Shares listed on ASX may rise or fall depending on a range of factors beyond the control of MIL.

If you are in doubt as to the course you should follow, you should seek advice on the matters contained in this Prospectus from a stockbroker, solicitor, accountant or other professional adviser immediately. Follow carefully the instructions on the back of the accompanying Acceptance Form regarding the acceptance of your entitlement.

The potential tax effects relating to accepting the Offer will vary between Shareholders. Shareholders are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.

6.8 Continuous disclosure and documents available for inspection

MIL is a disclosing entity for the purposes of section 111AC(1) of the Corporations Act and as such, is subject to regular reporting and disclosure obligations. Broadly, these obligations require the Company to:

- (a) prepare and lodge with the ASIC both yearly and half-yearly financial statements accompanied by a directors' statement and report and an audit or review report; and
- (b) immediately notify ASX of any information concerning the Company of which it is, or becomes, aware and which a reasonable person would expect to have a material effect on the price or value of securities in MIL, subject to certain limited exceptions related mainly to confidential information.

Copies of documents lodged at ASIC in relation to the Company may be obtained from or inspected at an office of ASIC. Copies of documents lodged with ASX in relation to the Company may be obtained from, or inspected at, an office of ASX.

This Prospectus is issued pursuant to section 713 of the Corporations Act. Section 713 of the Corporations Act enables listed disclosing entities to issue a prospectus with more limited disclosure than would be required of a full-form prospectus where the Company has been an ASX listed disclosing entity for a period of at least 12 months.

6.9 Other documents

MIL will provide a copy of any of the following documents free of charge to any person who requests a copy in relation to this Prospectus:

- (a) the Annual Report for the year ended 30 June 2006 being the last financial statements for a financial year lodged with ASIC before the issue of this Prospectus;
- (b) the Appendix 4E of the Group for the half year ended 31 December 2006;
- (c) any other announcement, document or financial statement lodged by the Company with ASIC or ASX under the continuous disclosure reporting requirements in the period after lodgement of the Annual Report to 30 June 2006 (announced on 11 September 2006) referred to above to the date of lodgement of this Prospectus with ASIC, key announcements being as follows:

Date	Announcement
28 May 2007	Announcement of capital raising
11 May 2007	Magnesium technology update
30 April 2007	Third quarter activities & cashflow report
30 March 2007	Director resignation
27 February 2007	Half yearly report & resignation of director
15 February 2007	Company update
31 January 2007	Second quarter activities & cashflow report
6 December 2006	Unlisted share options & Appendix 3Y
31 October 2006	First quarter activities & cashflow report
9 October 2006	Results of AGM
9 October 2006	Chairman's address
22 September 2006	EMAG signs MOU
11 September 2006	Notice of AGM

6.10 Expenses of the Offer

Expenses of the Offer combined with the Placement, including ASIC and ASX fees, printing costs, corporate advisory fees, broking commission, registry costs and legal costs are estimated to be approximately \$330,000, depending on the final level of subscriptions received. These expenses include approximately \$48,000 attributable to Baron Partners Limited which has acted as Corporate Adviser, and Offer-related registry costs payable to Computershare Investor Services Pty Limited at normal commercial rates.

6.11 Minimum Subscription

There is no minimum subscription for the Offer.

6.12 Other information

There is no information relating to the Offer that, because of its confidential or prejudicial nature, has not been notified to ASX which investors or their professional advisers would reasonably require and reasonably expect to make an informed assessment of the effect of the assets and liabilities, financial position and performance, profits and losses and prospects of the Company and the rights and liabilities attaching to the Shares.

6.13 Consents and responsibility statements

Baron Partners Limited (“**Baron**”) has given and not withdrawn its consent to be named in the Prospectus as corporate adviser in relation to the Offer in the form and context in which it is named.

Computershare Investor Services Pty Limited (“**Computershare**”) has given and not withdrawn its consent to be named in the Prospectus as the share registry in relation to the Offer in the form and context in which it is named.

Neither Baron nor Computershare:

- has authorised nor caused the issue of the Prospectus;
- has made, nor purported to have made, any statement in this Prospectus, except this section; and
- assumes responsibility for any part of this Prospectus except for statements in this section.

Each of Baron and Computershare, to the maximum extent permitted by the law, disclaims any responsibility or liability for any part of this Prospectus other than a statement included in this section.

6.14 Governing Law

This Prospectus is governed by the laws of New South Wales.

7. Glossary of Definitions and Interpretations

7.1 Defined terms

Acceptance Form	The entitlement and acceptance form which accompanies the Prospectus in respect of the Top Up Issue and the Entitlements Issue
Amiral	Amiral Magnesium Overseas Ltd
ASIC	Australian Securities & Investments Commission
Associate	has the same meaning as in the Corporations Act
ASX	ASX Limited (ACN 008 624 691)
Baron	Baron Partners Limited (ACN 003 397 528)
Company	MIL (defined)
Constitution	the constitution of the Company as amended from time to time.
Corporations Act	Corporations Act 2001 (Cth)
Directors or Board	the directors of MIL
Dow Chemical	Dow Chemical Company, being a company registered in the United States of America
Dow Global	Dow Global Technologies Inc, being a company registered in the United States of America
EMAG	The Egyptian Magnesium Company S.A.E., being a company registered in Egypt and wholly owned by MIL
Entitlements Issue	the non-renounceable entitlement offer to eligible existing Shareholders to acquire five New Shares for every six Shares held by a Shareholder at the Record Date together with, for no cash consideration, one Primary Option for every two New Shares issued to a successful applicant
EST	eastern standard time in Australia
Existing Option	An option existing at the date of the Prospectus
Existing Share	a Share on issue at the date of the Prospectus
Group	the Company and its Subsidiaries
Letter of Intent	a letter from the Company detailing the process of selling a shareholder's Unmarketable Parcel of Shares
Listing Rules	the listing rules of the ASX
Marketable Parcel	in relation to Shares and in accordance with Listing Rule 19.12, a Shareholding being worth at least \$500, which on the basis of a price of \$0.05 per Share, is 10,000 Shares
MIL	Magnesium International Limited (ACN 003 669 163)
New Share	a Share with an issue price of \$0.05 issued under the Placement, Top Up Issue, or the Entitlements Issue

Offer	the offer of New Shares and Options under the Top Up Issue and the Entitlements Issue pursuant to this Prospectus
Option	a Primary Option or a Secondary Option
Placement or Placement Issue	the offer, to investors who do not require disclosure pursuant to the relevant provisions of the Corporations Act, of 33,500,000 New Shares together with, for no cash consideration, one Primary Option for every two New Shares issued to a successful applicant
Primary Option	an option with an exercise price of \$0.10 and an expiry date of 31 May 2012, issuable under the Prospectus by attaching to New Shares on the basis of one Primary Option for every two New Shares
Prospectus	this prospectus as modified or varied by any supplementary document issued by the Company and lodged with the ASIC from time to time
Record Date	8 June 2007
Registry	Computershare Investor Services Pty Ltd
Related Body Corporate	has the meaning given to that term under Section 50 of the Corporations Act
Relevant Interest	has the meaning given in the Corporations Act
SAMAG	SAMAG Ltd, being a wholly owned subsidiary of MIL
Secondary Option	an option with an exercise price of \$0.15 and an expiry date of 31 May 2015, issued on exercise of a Primary Option
Securities	Shares and Options
Share	a fully paid ordinary share in the Company
Shareholder	a registered holder of a Share
Subsidiary	has the same meaning as in the Corporations Act
Top Up Issue	the issue, on a first come first serve basis, of up to a maximum of 30,000,000 New Shares to eligible existing Shareholders with a holding which is, after allocation of the securities pursuant to the Entitlements Issue, less than 40,000 Shares, to raise up to a maximum of \$1,500,000, and the issue of, at no cash consideration, one Primary Option for every two New Shares issued and allotted to a successful applicant
Unmarketable Parcel	in relation to Shares and in accordance with Listing Rule 19.12, a Shareholding of less than 10,000 Shares being worth less than \$500, on the basis of a price of \$0.05 per Share
Voting Power	has the meaning given in the Corporations Act

7.2 Interpretation

In this Prospectus the following rules of interpretation apply unless the context otherwise requires:

- (a) words and phrases not specifically defined in this Prospectus have the same meaning that is given to them in the Corporations Act and a reference to a statutory provision is to the Corporations Act unless otherwise specified;
- (b) the singular includes the plural and vice versa;
- (c) a reference to an individual or person includes a corporation, partnership, joint venture, association, authority, Company, state or government and vice versa;
- (d) a reference to any gender includes both genders;
- (e) a reference to clause, section, annexure or paragraph is to a clause, section, annexure or paragraph of or to this Prospectus, unless the context otherwise requires;
- (f) a reference to “dollars” or “\$” is to Australian currency;
- (g) in this document, headings are for ease of reference only and do not affect its interpretation; and
- (h) except where specifically defined in the Prospectus, terms defined in the Corporations Act have the same meaning in this Prospectus.

Authorisation

This Prospectus has been approved by unanimous resolution of those Directors of Magnesium International Limited.

Dated: 30 May 2007



Pat Elliott
Executive Chairman