

MAGNESIUM INTERNATIONAL

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12 January 2005

MAN FERROSTAAL TO ENGINEER AND CONSTRUCT MAGNESIUM SMELTER IN EGYPT

Key Points

- **Major German contractor, MAN Ferrostaal, has been selected as EPC contractor for MIL's 88,000 tonne per annum magnesium smelter joint venture project in Egypt.**
- **MAN Ferrostaal will be assisted by experienced UK engineer, K. Home International**
- **EPC pricing work scheduled from March to October 2005**

Magnesium International Limited (MIL) and its Egyptian partner Amiral Investments (Amiral) announced today that German contractor MAN Ferrostaal has been selected as the lead contractor for the engineering, procurement and construction (EPC) of the magnesium smelter project in Egypt. The smelter will be owned and operated by a special purpose company called Egyptian Magnesium Company (EMAG) which is currently being established under Egyptian Investment Laws.

MIL's Managing Director, Gordon Galt, said "MAN Ferrostaal already has a significant presence in Egypt and knows the local conditions very well. The company has an excellent track record completing major industrial projects in the region. The engineer, K. Home International, has an impressive track record in the light metals industry with extensive experience in the aluminium industry in Bahrain and Dubai. The two groups have worked successfully with each other on previous jobs. We are very confident that MAN Ferrostaal will deliver the smelter on time and on budget when we give the go-ahead for construction towards the end of this year."

The MAN Ferrostaal/K. Home combination was chosen following a comprehensive process which involved an initial pre-qualification stage. The main features looked for were knowledge and experience in Egypt, expertise in large industrial plants and the ability to deliver the project for a fixed price. This stage was followed by submission and evaluation of bids from the pre-qualified contractors.

In taking on the job of lead EPC contractor, MAN Ferrostaal has contracted with MIL and Amiral to deliver the operating smelter project for a fixed lump sum price on a turn-key basis. Their first task will be to finalise the fixed lump sum price. This will be done by evaluating bids for various project packages and aggregating them according to a formula which has already been agreed between the parties. Mr Galt said today "Obtaining a fixed price is an essential step in the project financing of the smelter. One

MAGNESIUM INTERNATIONAL

L I M I T E D

of the main reasons behind our being able to obtain this fixed price is that the Dow technology we will use in the smelter is proven.”

The EPC pricing work will take approximately eight months and financing for the smelter will be completed in parallel with the EPC work. Construction is scheduled to commence in early 2006 and will take two years before commissioning commences.

Mr Galt added that ”The appointment of MAN Ferrostaal further strengthens the already significant German involvement with the smelter project. ThyssenKrupp Metallurgie is contracted as the 100% buyer of smelter production and we expect that German banks will be involved in the financing and that German companies will supply smelter equipment.”

ABOUT MAGNESIUM INTERNATIONAL LIMITED (MIL)

MIL is the exclusive worldwide licence holder of the Dow smelting technology, which is the world’s most proven process for the electrolytic smelting of magnesium metal. MIL purchased this licence from Dow Chemical in 1999.

Following an extensive search in both Australia and a number of offshore sites MIL selected the port of Sokhna on the west coast of the Gulf of Suez in Egypt for the establishment of its smelter. This site takes advantage of significant cost benefits associated with locations in the Middle East.

MIL intends to construct a smelter with production capacity of 88,000 tonnes per year of pure magnesium metal. MIL will then transform the magnesium metal produced into high quality magnesium alloys at the smelter site. The smelter will be constructed in two modules with the first module having a capacity of 43,000 tonnes per year and an expected construction time of two years. The second module is scheduled for completion three years after the commissioning of the first module commences.

MIL’s smelter project is supported by a 15 year Metal Sales Agreement with ThyssenKrupp Metallurgie (TKM), a subsidiary of ThyssenKrupp GmbH. Under the terms of the Agreement, TKM will purchase 100% of the smelter’s output for on-sale to the automotive industry and others. The high quality magnesium alloy market is growing strongly as auto manufacturers seek lightweight solutions to comply with increasingly stringent greenhouse gas emission and fuel consumption regulations.

ABOUT MAN FERROSTAAL

MAN Ferrostaal is a part of the MAN Group of companies - a leading international supplier of industrial construction and contracting services, commercial vehicles, printing systems, diesel engines and other capital goods. As a general contractor, MAN Ferrostaal specialises in the engineering and construction of industrial plants and facilities for the worlds metals, chemical, oil and gas and other

MAGNESIUM INTERNATIONAL

L I M I T E D

industries. World wide, MAN Ferrostaal has completed numerous metallurgical plant projects ranging from large Integrated Steel Plants, Direct Reduction Plants, Melt Shops, Hot and Cold Rolling and Processing Plants and Aluminium Plant.

MAN Ferrostaal has been active in North African and Middle Eastern projects for more than 30 years, with successful projects across a diverse range of industries and geographies, including the erection of large oil and gas projects and other industrial projects in Libya, aluminium smelter construction in Nigeria and smelter modernisation and iron ore mine developments in Iran.

MAN Ferrostaal will use its Egyptian subsidiary, Ferrometalco, to complete a significant amount of work on the magnesium smelter project. Ferrometalco is a large fabrication workshop and erection company which provides MAN Ferrostaal with the direct and extensive Egyptian expertise needed to successfully realise, as turn-key contractor, the Magnesium Metal Plant in Sokhna Port, Egypt.

MAN Ferrostaal's web site is www.manferrostaal.com. Ferrometalco's website is www.ferrometalco.com.

ABOUT K. HOME INTERNATIONAL

K Home International Limited (KHI) is a privately owned, international, project management, engineering and construction management business founded in the United Kingdom in 1973. The company employs professional projects and engineering personnel in the process, mechanical, electrical, civil, structural, pressure systems and control/instrument engineering disciplines supported by technician grade and CAD personnel. KHI has three principal office locations at Thornaby (UK), Dubai (UAE) and Trinidad & Tobago and presently has approximately 220 staff.

Throughout its history, KHI has enjoyed strong trade links with the Middle East region and is sensitive to the customs and cultures of the region. KHI also has particular knowledge and experience in light metals and many of its past sizeable projects have been within this industry sector. These attributes make KHI an ideal engineering partner to the EMAG magnesium smelter project.

KHI's website is www.khe.co.uk.

For further information please contact

Gordon Galt
Managing Director, Magnesium International Limited

Telephone +61 2 9252 1505
Fax +61 2 9252 1507
Email www.mgil.com.au