

MAGNESIUM INTERNATIONAL

L I M I T E D

MEDIA RELEASE**Business Update**

This business update is provided to inform shareholders about recent activities within Magnesium International Limited (MIL) and recent developments in the magnesium market.

SAMAG Project

As previously reported, the SAMAG project was the subject of an unexpected business case review by the South Australian (SA) Government in June/July 2003. The results of the review were positive and at that time the SA Government reaffirmed its commitment to providing \$25million in infrastructure support to the SAMAG project. MIL has subsequently received a letter from the SA Government outlining the conditions attaching to the SA Government's commitment. The conditions are consistent with those previously established, subject to an extension to the end of 2004 of the time allowed for the project to reach Financial Close.

The key to progressing the SAMAG project is obtaining the commitment of potential cornerstone investors. MIL intends to raise up to one third of the equity required for the first stage of the project (approximately \$80 million) from such investors, before bringing the project to the wider equity market for a final raising. To date, Thiess Ltd has committed to contribute up to \$20million of the cornerstone equity amount. Discussions with a number of potential parties are continuing. Directors are focussed on this issue as the priority for the project and have deferred expenditure on other project matters until appropriate parties become committed.

Magnesium Sheet Venture

MIL signed an exclusive term sheet with the CSIRO to commercialise CSIRO's unique method for manufacturing thin magnesium sheet metal in May 2003. A final agreement for the venture was subsequently negotiated. Unfortunately, the shortfall in MIL's rights issue in June meant that the arrangement could not be executed as planned. MIL is currently discussing the possibility of an alternative structure and funding arrangement with CSIRO.

Power Station Expressions of Interest

In August 2003, MIL announced a call for Expressions of Interest (EOI) for the development of a power station near the site for the proposed SAMAG smelter at Port Pirie in South Australia. MIL was granted a Development Approval for a power station on this site in 2001. MIL's intention in issuing the EOI call was to obtain an equity contribution towards its SAMAG magnesium project.

MAGNESIUM INTERNATIONAL

L I M I T E D

MIL and its advisor, ABN Amro, received a number of EOI's in late August/early September and have developed a short list of parties from those who expressed interest. A data room is now being prepared to enable these parties to undertake their due diligence process.

MIL expects to receive conditional offers by the end of November 2003 and being able to make a final decision prior to the end of the year.

Capital Raising

MIL has previously reported that it raised \$2.9million in a rights issue, which closed on 30 June 2003. If fully subscribed, the rights issue would have raised \$8.3million. MIL previously advised that it would, as allowed under ASX Listing Rules, seek to make placements of shortfall shares during the three month period from the original offer closing, to the end of September 2003.

MIL directors have now determined that they will not make placements of the shortfall shares within the permitted 3 month period. Instead, they have decided to continue to progress the company's business strategy within the constraints of currently available funding. MIL has undertaken a detailed evaluation of all costs and has made changes which have substantially reduced ongoing expenditure.

In addition to maintaining its current ASX listing, MIL has also commenced investigations into undertaking a listing on the Alternative Investment Market (AIM) in London. The AIM has recently changed its entry rules to allow easier listing for ASX companies and has also significantly reduced entry costs. The AIM has access to more providers of capital for ventures like SAMAG than the Australian market.

Magnesium Market

MIL shareholders may not be aware of the current state of the magnesium market, as only a few information sources are available for this metal. A good website to visit is www.magnesium.com.

Recent news concerning the magnesium market is positive with highlights being:

- CRU International (a leading commodities forecasting company in London) reported on its new 10-year forecast for magnesium in Stuttgart in May 2003. CRU expects the magnesium market to grow by 6% per year compound over the 10 years to 2012, thereby lifting primary production from 420,000 tonnes in 2002, to 770,000 tonnes in 2012. CRU believes that an additional 160,000 tonnes of capacity will be needed from new Western world smelters in that period. The majority of growth in the market is forecast to be in the diecasting alloy sector (which is SAMAG's target

MAGNESIUM INTERNATIONAL

L I M I T E D

market). CRU forecasts that prices will have a rising trend over the next three years.

- Growth in the diecasting alloy sector has been further supported by a forecast by Hydro Magnesium, the world's largest magnesium producer. Hydro expects the demand for diecasting alloys in Europe to grow by 12% per year for the next five years. Hydro's list price for magnesium diecasting alloys is currently 2.5 euros per kilogram, which is equivalent to USD1.27/lb or USD2,790 per tonne.
- Magnesium consumption in the first six months of 2003 is up 6% compared to 2002. Western world magnesium production has fallen with the closure of the Magnola smelter in Canada, with the shortfall being supplied by additional exports from China.
- Taiwanese producers of magnesium components for laptop computers predict that around 40% of laptops, or over 15 million units out of a total world market of 36 million units, produced in 2003 will contain magnesium sheet metal in their chassis. This figure is up from 6 million units in 2002. Approximate thickness of the metal is 0.8mm.
- Largely as a result of rising costs of raw materials such as ferrosilicon and coal, Chinese pure magnesium prices delivered into Europe have risen nearly 20% since the end of 2002. The Chinese Government has also announced its intention to reduce the export rebates for non ferrous metals such as magnesium by around 5% later this year. This is expected to result in a further rise in the Chinese magnesium price.

For more information contact

Gordon Galt
Managing Director
Magnesium International Limited