

MATERIAL CHANGE REPORT

Pursuant to Section 75(2) of the *Securities Act* (Ontario)
and corresponding to Section 85(1)(b) of the *Securities Act* (British Columbia)
and Section 146(1)(b) of the *Securities Act* (Alberta)

1. **Reporting Issuer**

Magnesium Alloy Corporation
3154 North Wallace Road, RR#2
Wallace, Nova Scotia
B0K 1Y0

2. **Date of Material Change**

June 4, 2004

3. **Press Release**

A press release in the form of Schedule "A" annexed hereto was disseminated on June 7, 2004.

4. **Summary of Material Change**

Magnesium Alloy Corporation (the "Company") completed the second tranche of its previously announced private placement of units (the "Units") of the Company on June 4, 2004. Each Unit consists of one common share of the Company and one-half of one common share purchase warrant, each whole common share purchase warrant entitling the holder to purchase one additional common share of the Company at a price of US\$1.00 per share on or prior to June 4, 2006. The net proceeds of the offering are to be used for working capital and general corporate purposes.

5. **Full Description of Material Change**

The press release annexed hereto as Schedule "A" provides a full description of the material change.

6. **Reliance on Section 75(3) of the *Securities Act* (Ontario), Section 85(2) of the *Securities Act* (British Columbia) and Section 146(2) of the *Securities Act* (Alberta)**

This report is not being filed on a confidential basis.

7. Omitted Information

Not applicable.

8. Senior Officers

If further information is required, please contact William Burton, President and Chief Executive Officer, Telephone (902) 257-1171.

9. Statement by Senior Officer

The foregoing accurately discloses the material change referred to herein.

DATED at Wallace, Nova Scotia this 7th day of June, 2004.

MAGNESIUM ALLOY CORPORATION

Per: "Sally Burton" _____

Sally Burton
Corporate Secretary

SCHEDULE "A"

Trading Symbol: MAA.U
Exchange: TSX Venture Exchange

Cusip: 5589149 10 7

PRESS RELEASE

Halifax, Canada: June 7, 2004

FOR IMMEDIATE RELEASE

Magnesium Alloy Announces Completion of Second Tranche of Private Placement

Magnesium Alloy Corporation ("MagAlloy" or the "Company") is pleased to report that the second tranche of the previously announced private placement of units (the "Units") of the Company was completed for gross proceeds of approximately US\$1.43 million, bringing the total raised to date to approximately US\$6.63 million. Each Unit consists of one common share of the Company and one-half of one common share purchase warrant, each whole common share purchase warrant entitles the holder to purchase one additional common share of the Company at a price of US\$1.00 per share on or prior to June 4, 2006. The hold period for the securities comprising the Units (as well as the common shares issuable upon exercise of the purchase warrants) will expire on October 5, 2004. The net proceeds of the Offering are to be used for working capital and general corporate purposes.

The Company retained Kingsdale Capital Markets Inc. and Kingsdale Capital Partners Inc. (collectively the "Agent") who acted as agent in connection with the private placement. The Company agreed to pay the Agent a commission of 7% of the gross proceeds of the Units sold by the Agent and has issued broker warrants to the Agent entitling it to purchase common shares of the Company in an amount equal to 10% of the number of Units sold by the Agent under the private placement at an exercise price of US\$0.45 per share until June 4, 2005. The hold period for the broker warrants and the common shares issuable upon exercise thereof will expire on October 5, 2004.

The Agent may sell up to an additional US\$370,000 of Units on or before June 16, 2004 under an over-allotment option.

MagAlloy's goal is to become the major low cost producer of primary magnesium metal and magnesium alloys to supply the automotive die-casting, aluminum and steel industries. Plants will be constructed and operated at Pointe-Noire in the Republic of Congo. The output of the first plant is designed to be 60,000 tonnes per year. Recent magnesium alloy prices have been quoted in the range of US\$3,000/tonne.

MagAlloy is building shareholder value by combining low-cost hydroelectric energy with its world-class magnesium salt deposits to produce high quality light metal alloys. MagAlloy is a Canadian public company, whose common shares are listed on the TSX Venture Exchange, and traded in U.S. currency under the symbol "MAA.U". After taking the above transaction into account, MagAlloy has 67,622,942 shares outstanding on an undiluted basis. More information on the Company is available at its website, www.magalloy.com.

FOR FURTHER INFORMATION PLEASE CONTACT:

Magnesium Alloy Corporation
William Burton
President & Chief Executive Officer
(902) 257-1171

The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of this release.