



**Advanced  
Magnesium**  
Limited

# ANNUAL GENERAL MEETING

31 August 2009

Level 4 350 George St Sydney

*commercialising advanced materials solutions*





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**Stuart Fitton**  
Executive Chairman

Advanced Magnesium Limited

Annual General Meeting 2009 – Chairman's Address

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## 2009 in Review

- Impact of Global recession: Virtually all selling and alloy trialling activities came to a sudden halt from August 2008.
- Business Model: Very clear that AML needed to get into the “main game” – production of its proprietary alloys and downstream activities - if it was to survive and ultimately thrive.
- China: The dominant force in the magnesium industry from the raw material, dolomite, primary production using the pidgeon process, alloy manufacture downstream to billet casting, extruding, die casting, surface finishing.
- Henan Kewair: Ideal partner company owned by people of integrity, which had commenced building a new alloy manufacturing facility in Henan Province. Plentiful supply of labour, strong government support and excellent transport infrastructure



*Creating thinking in a changing world*



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# The Reality

- Survival while driving the long term strategy : We saw a downturn coming quite early. China was slowing quite rapidly in 3<sup>rd</sup> quarter 2008. We determined to cut costs but pursue growth in China.
- Risk Management: The need to find a joint venture partner was essential. We had a very clear sense of what we were looking for. Integrity and a depth of knowledge of how to do business in China was essential.
- The search: We met with several prospective partners. We selected our partner largely because of a shared vision – to build a world class, integrated magnesium operation.
- The advantages: Our chosen partners had already commenced building the first stage of an alloy production facility in Henan Province. Location has good transport, large, relatively low cost labour pool and supportive local governments



*Pursuit of growth during the deepest recession in over 70 years*



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# The Changge Project

- The joint venture will have registered capital (Equity) of RMB 42.6 million
- AML will own 53%, appoint the CEO.
- Furnace module 1 is built and being commissioned.
- Construction of larger Furnace module 2, will commence in September.
- Workshop 2 near complete. Construction of AM-cast facility in October
- Magnesium scrap building underway. To be completed in October
- Adjoining land – 66 acres secured, deposit paid. To accommodate down stream activities
- Costing of these activities to be completed by end 2009.



*Joint venture being developed rapidly*



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# Looking Forward

## Operating and Market Environment

- Global recession easing
- Magnesium market confidence slowly returning; timing looks good
- First step; build reputation as a reliable supplier of quality magnesium alloys
- Marketing of several of AML's suite of magnesium alloys will commence before end of 2009.
- Feasibility Study on downstream activities to be completed by end 2009



*Aggressive marketing strategy being developed.*



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# Goals 2010

- Cash break even at Changge by end 2009
- Achieve positive operating cash flow and profitability in 2010
- Annual production capacity of 30,000 tonnes by end 2010
- Establish AM-cast and AM-EX1 in China and global markets during 2010
- Maintain strong financial condition in 2010 while rapidly expanding the business
- Make decision on downstream operations by end 2009
- Further capital raising options to be considered 2nd quarter 2010



*Rapid and carefully planned development of a sustainable cash flow*