

12 May 2011

Company Announcements Office
Australian Stock Exchange Limited
20 Bridge Street
Sydney, NSW, 2000

**AML updates profitability expectations, announces new
capacity investment and strategic plan for growth**

Dear Sirs,

- ❖ Following on from recent announcements, AML is pleased to report that it continues to generate good profit at its 53% owned magnesium alloy manufacturing business in China
- ❖ AML's magnesium alloy joint venture manufacturing facilities at Chang Ge in Henan Province are operating at full capacity. The Board of HNKWE has decided to increase capacity by 133% over the next four months
- ❖ The Board of AML is now pursuing a strategic growth plan to significantly increase the profitability of The Group in the short-term and plan for longer term growth

In November 2009 AML completed its acquisition of a 53% interest in Henan Keweier Alloy Materials Co. Ltd (HNKWE). Prior to this event AML's economic prospects depended solely upon the development and commercialisation of a suite of proprietary magnesium alloy and melt technologies.

Since late 2009 the Board and Management of AML have developed a new business framework that

- gives AML its own independent production capability to manufacture proprietary magnesium alloys;
- provides profitability that underwrites the longer term commercialisation of its technologies; and
- allows a more strategic focus for the Board

On 19 April 2011 AML foreshadowed to the market its expectation of a profit being generated by HNKWE in the year ended 30 June 2011. The announcement included a table (extracted from management accounts) of month-by-month profitability at HNKWE since 1 December 2010. As we noted in our last release the March profit numbers included delayed reporting of sales made over the Chinese New Year period. We are happy to report a continuation of profitable trading in April 2011 as follows. (NPAT in the period 1 December 2010 to 31 March 2011 has been increased by RMB24,001 on that reported on 19 April.)

Month	NPBT	Tax Expense	NPAT
Dec-10	RMB32,271	RMB0	RMB32,271
Jan-11	RMB351,495	RMB0	RMB351,495
Feb-11	RMB1,154,842	RMB0	RMB1,154,842
Mar-11	RMB2,596,583	RMB(586,056)	RMB2,010,527
Apr-11	RMB1,228,064	RMB(307,016)	RMB921,048
Total	RMB5,363,256	RMB(893,072)	RMB4,470,184

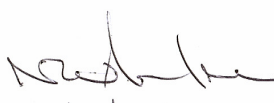
The AML Board will continue to focus on a strategy to further develop the business framework described above. Two initiatives are currently being pursued by the Board to further “de-risk” the business and increase profitability, strengthening the platform for the commercialisation of its technologies

The first of these initiatives is that HNKWE will shortly commence construction to increase production capacity from 15,000 tonnes per annum to 35,000 tonnes per annum. This is expected to cost RMB4.6m (approximately AUD660,000). This expenditure will be funded from HNKWE’s retained cash flow and will be incurred in the period to end August 2011. The new plant will commence operations in September and is expected to be fully operational by end of December 2011. The full effect of the new production capacity will impact HNKWE’s February 2012 sales numbers (after Chinese new year in January).

The added production capacity will increase HNKWE’s working capital requirement by up to RMB100m (approximately AUD14.5m). The final extent of the additional working capital demand will depend upon the nature of incremental sales. AML management has commenced a dialogue with an Australian Bank for the purpose of centralising much of the group’s current working capital needs. The increased production capacity will present the opportunity to broaden the customer base.

The second initiative is the pursuit of strategies that will secure short-term growth and, in turn, allow AML to develop options for longer term growth from a stable base. The Board of AML is currently evaluating a number of options and expects to make further announcements in this regard in the near future.

Yours Sincerely



Nicholas Andrews
Executive Chairman