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

Dear Sirs,

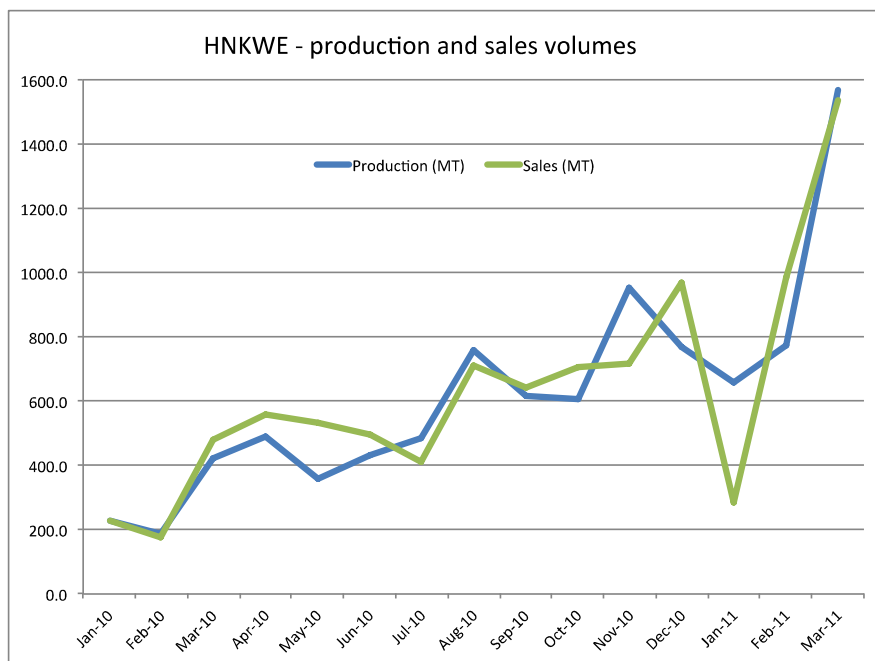
Sales Contracts Secured By Advanced Magnesium Limited's Chinese Joint Venture

AML's 53% owned magnesium alloy production subsidiary Henan Keweier Alloy Materials Co. Ltd (HNKWE) has secured contracts to supply 8,400 tonnes of magnesium alloys. The contracts reflect prices that will provide a net profit margin at current raw material prices.

The contracts call for delivery at a rate of 300 tonnes per week and thus will consume most of the factory's practical production capacity to the end of September 2011. The production rate required by the contracts is at a level that exceeds HNKWE's theoretical current production capacity. However, it is within the bounds of the actual current rate of production achieved in March 2011 - an average rate of 332 tonnes per week.

I mentioned in my Executive Chairman's report in the 31 December 2010 half yearly report that HNKWE was making steady progress towards its short-term goal of profitable trading. In fact, preliminary analysis of the accounts shows that since the beginning of December 2010 HNKWE has been trading profitably. This turn around coupled with the contracts just won is expected to result in HNKWE producing a net after tax profit for the year ended 30 June 2011.

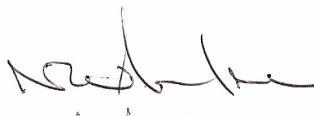
As the chart below demonstrates HNKWE has been building output and sales consistently since manufacturing commenced in January 2010. In August 2010 a second module was constructed to accommodate demand for the company's output. Management at HNKWE introduced a number of operating measures that have also contributed to output growth and margin improvements.



The dip in sales in the month of January 2011 was due to a combination of the slow down that occurred in the lead up to the Chinese Spring festival (23 January) and a shortage of working capital in that month – also influenced by Spring festival activities.

The strength of sales orders will give the Directors confidence to now examine the installation of a further two production modules taking theoretical production capacity to around 25,000 tonnes per annum. As shareholders will have seen in recent announcements, AML and HNKWE have successfully sought working capital lines from Chinese banks. Considerable further working capital facilities will be required for the new production capacity. The Board and management are currently working on putting these facilities in place.

Directors are encouraged by these outcomes and with positive developments also occurring for sales of AML's proprietary alloys and electroplating services. Underpinning the positive magnesium alloy developments referred to above AML's strategic plan is being executed well by a committed management team.



Nicholas Andrews
Executive Chairman
Advanced Magnesium Limited