



Office 10 Level 8
139 Macquarie St
Sydney NSW 2000
Australia
Ph: 61 2 8231 7085
Fax: 61 2 9252 8960

15 August 2011

Dear Shareholder,

Advanced Magnesium Limited Securities Purchase Plan – Extension of offer to 31 August 2011

I am writing to you about the Share Purchase Plan (SPP) of Advanced Magnesium Limited. In July we sent a letter and documentation with details of this offer. The SPP gives you the opportunity to increase your holdings in the Company at this time. The capital raised from the SPP will be used to secure the future business plan of Advanced Magnesium and will allow your company to confirm its place as a global leader in magnesium alloy manufacturing.

On 4 July 2011, Advanced Magnesium acquired the Magontec Group of companies for A\$5.595 million. The acquisition will allow Advanced Magnesium to leverage its existing portfolio of magnesium alloy technologies into new markets and segments include high temperature applications and high quality decorative finishes. The acquisition has created the world's second largest magnesium alloy manufacturer.

The two businesses have well-developed growth strategies to further enhance the capabilities and synergy benefits of the new group, including merged brand recognition and marketing reach, combined with the world's leading magnesium alloy technology portfolio. Together, the businesses have become the world's most geographically diverse magnesium company.

The capital raising will also be used to retire part of the debt in the Magontec businesses as the Board and its Directors recognise that a continued prudent approach to balance sheet management is necessary in the current environment.

We acknowledge that the current volatility in global equity markets presents an uncertain environment for investors. However we remain committed to executing our long-term goals and strategies pursued since mid 2009 to make the company a significant magnesium industry participant with

- diversified geographical representation;
- diversified participation in the magnesium production process; and
- a technological capability to promote broader applications of magnesium.

In relation to the latter strand of the strategy Advanced Magnesium continues to have excellent prospects in the development and commercialisation of magnesium alloy technologies, which will be realised over the next 2 – 3 years.

By participating in this SPP, you will be investing directly in the new strategic direction of the Company thereby supporting your existing investment. You can invest between \$500 and \$15,000 without incurring brokerage fees.

To facilitate your participation the closing date has been extended from 19 August 2011 to 31 August 2011. Furthermore, one of Advanced Magnesium's major shareholders has offered to underwrite part of this capital raising.

The Board and management of Advanced Magnesium thank you for your continued support of the Company – we look forward to your participation in this SPP as an important funding event for the long-term benefit of the Company and its shareholders. We look forward to seeing you at our Annual General Meeting later in the year

Yours sincerely,



Nicholas Andrews
Executive Chairman