



Advanced
Magnesium
Limited

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

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

Dear Sirs,

AML Forecasts Maiden Profit of RMB3m for Year Ended 30 June 2011 at Chinese Subsidiary

Profit Expectations to 30 June 2011

On the 8 April AML announced that it's 53% owned magnesium alloy production subsidiary (Henan Keweier Alloy Materials Co. Ltd - HNKWE) had secured contracts to supply 8,400 tonnes of magnesium alloys in the period to end September 2011. This development enables AML to predict with some confidence likely short-term profit outcomes for HNKWE to 30 June 2011.

Since December 2010, management accounts show that HNKWE has been trading profitably with continued steady improvement in monthly profit results. Net profit after tax for the four months ended 31 March 2011 aggregated RMB3,525,136 as follows.

Month	NPBT	Tax Expense	NPAT
December 2010	RMB32,271	RMB0	RMB32,271
January 2011	RMB335,495	RMB0	RMB335,495
February 2011	RMB1,138,842	RMB0	RMB1,138,842
March 2011	RMB2,596,583	RMB(578,056)	RMB2,018,527
Total	RMB4,103,192	RMB(578,056)	RMB3,525,136

These figures are unaudited and do not allow for any possible revaluations of finished goods and raw materials on hand. They may also vary because of later adjustment to accrual estimates. The numbers are subject to change as a result of later audit review.

For the period 1 July 2010 to 31 December 2010 the Segment Information table on page 17 of AML's half yearly report showed the HNKWE net loss after tax as AUD262,571. This was equivalent to RMB1,758,696.

A minimum of RMB1,000,000 before tax profit is expected in each of the remaining months to 30 June 2011. For the 12 months to 30 June 2011 management is confident that HNKWE will report a net profit after tax greater than RMB3,000,000 which, at an exchange rate of 6.8719 on 15 April 2011, is equivalent to AUD436,000.

This is expected to leave the consolidated AML group with a net after tax loss (before attribution to minority interests) in the order of AUD1.3m for the year ended 30 June 2011 (The loss for the corresponding period to June 30 2010 was AUD 4.1m).

Anticipated Developments to 30 June 2012

Sales at HNKWE to 30 June 2011 are expected to aggregate RMB200m. Management anticipates that relationships with existing customers and market conditions will allow this level to grow in financial year 2012.

These expectations do not allow for production capacity increases which will be reviewed in the short term. The remainder of the AML group is expected to see further cost saving benefits accrue in 2012 and growth in revenues from electroplating and specialist alloys sales activities. The AML group on its current configuration (ie without taking account of further capacity increases at HNKWE and other strategic action) is expected to produce a net profit after tax in FY2012..

Threats

The current profile of the HNKWE business presents two main challenges.

Sales, whilst strong and profitable, need to be developed across a broader customer base to ensure customer concentration risk is minimised.

The construct of the industry (as far as the sale of generic magnesium alloys is concerned) requires sales to be made on extended credit terms. The average credit period is 95 days and at current sale and raw materials prices this requires working capital in the order of RMB5,000 for each tonne of sales/production. HNKWE currently has lines with Chinese Banks aggregating RMB48m. This is an inadequate level to fund working capital requirements at the current operating (as opposed to theoretical) production rate of around 17,500 tonnes per annum. Therefore, further credit facilities are being sought in China and management is considering other ways in which working capital might be supplemented by diversifying debt funding sources to include Australian banks. The current inadequacy of working capital, which is being addressed, continues to place significant strain on cash flow in the interim.

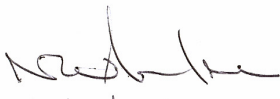
Opportunities

AML's electroplating activities continue to develop. There are a number of opportunities that the company is pursuing with die-casting and electroplating partners seeking high quality electroplated finishes for magnesium applications in the electronics sector. AML's 'AM Coat' chemical technologies generated a modest revenue of RMB389,000 in it's first year of operation.

AML specialty alloys are also making good progress. The company has recently agreed the sale of a commercial quantity of AM Cast, it's proprietary master alloy. This represents the first commercial output from the Specialty Alloy Module installed at Chang Ge in October 2010 and a significant milestone for the company.

The AML Board is pleased by the rapid development of its joint venture in China and its progress to a profitable trading status within the first 12 months of production. An increase in theoretical production capacity at HNKWE to 30,000 tonnes per annum is now in the planning. If current operational experience is taken as a guide this could result in an actual practical rate of production somewhat in excess of 30,000 tonnes per annum. It will be critical that any installation of increased productive capacity is co-ordinated with increases in working capital in order to fully exploit the increased capital expenditure.

Management continues to keep other strategic opportunities under review with a mind to positioning AML as a significant participant in the global magnesium industry.



Nicholas Andrews
Executive Chairman
Advanced Magnesium Limited