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

Dear Sirs,

### **AML Investment in China**

AML has signed an agreement with Henan Keweier alloy materials Co., Ltd (KWE), a Chinese magnesium alloy producer. Under the agreement AML will invest RMB 15,000,000 for a 53% shareholding in the company. KWE's magnesium alloy plant, situated in Henan province, is presently under construction and is scheduled to commence production of generic magnesium alloys in July 2009.

The start-up capacity will be 10,000 tonnes per annum increasing to 30,000 tonnes per annum by the end of 2009. The plant will produce generic magnesium alloys for the first three months before adding capacity to produce AML's proprietary magnesium alloys.

AML's investment in KWE will require approval by the relevant Chinese authorities.

AML will finance its investment in KWE (approximately \$2,830,000) as well as its current operations by way of two capital raisings:

- the existing shareholders of KWE, together with certain existing AML shareholders, will subscribe \$535,435 by way of a private placement of 13,385,865 new shares in AML at an issue price of \$0.04;
- those same KWE shareholders, together with certain existing AML shareholders, will underwrite the receipt of \$4,238,999 from a 1 for 1 rights issue under which 105,974,968 new shares in AML will be issued at a price of \$0.04.

Full details of AML's proposed investment in the China manufacturing plant will be submitted to shareholders for their approval at an extraordinary general meeting.

John Talbot  
Company Secretary

Advanced Magnesium Limited