



28 September 2007

Company Announcements Office
Australian Stock Exchange Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sirs,

RE: ANNOUNCEMENT

Pursuant to ASX Listing Rule 3.13.3, please find attached a presentation given to shareholders at the Annual General Meeting held today at Royal on the Park, Cnr Alice & Albert Streets, Brisbane commencing at 10.00 am (AEST).

Yours sincerely,

A handwritten signature in black ink, appearing to read "P.K. Nair". The signature is fluid and cursive, with a large initial "P" and "N".

P.K. Nair
COMPANY SECRETARY



**Advanced
Magnesium**
Limited

Stuart Fitton
Executive Chairman

Advanced Magnesium Limited

AGM 2007 – Chairman's Address

commercialising advanced materials solutions



SUITE OF MG ALLOYS

Magnesium Alloys

- **AM-lite[®]** - A diecasting alloy suited for decorative components. Provides excellent as-cast surface finish, improved diecastability and recyclability, and offers significant cost savings compared with competitive materials.
- **AM-HP2[™] and AM-SC1[™]** - high temperature creep resistant alloys for automotive powertrain components such as engine blocks and transmission housings. A new version of AM-HP2 with improved diecastability is about to undergo beta testing.
- **AM-cast[™]** - improved zirconium master alloy for grain refining of sand castings and permanent mould castings.

Melt Handling Technologies

- **AM-cover[®]** - a cover gas system that reduces oxidation of molten magnesium during melting and casting. Compared with conventional SF₆ cover gas mixtures, AM-cover reduces green-house gas emissions by more than 95% and significantly lowers metal losses.
- **AM-converter[™]** - a device that improves the efficiency of the melting of ingots and returns, reduces metal losses, improves melt quality, and allows in-cell recycling of returns.

*A strong suite of metal alloys and melt handling technologies
meeting 21st Century needs*



SIGNIFICANT EVENTS

- AM-lite diecasting volume production process perfected
 - Accredit two Chinese diecasters by end October
- AM-lite electroplating volume production close to being perfected
 - Accredit two Chinese electroplaters by end November
- Trials to demonstrate reliability of AM-lite in thixomolding production process for high quality components.
- Continuing interest from multinational OEM's seeking light weight, lower cost, excellent surface finish material solutions.
- Improved version of AM-HP² with greater diecastability about to commence beta testing.
- Trial by US EPA further proves that less than 98% greenhouse gas reductions when using AM-cover instead of SF₆.
- Board and Management changes.
- Reinvigoration of Japan marketing strategy.

No Mg alloy sales contracts yet. However, some progress has been made.

- Establish AM-lite in the 'decorative finished component' market.
 - Accredite diecasters and electroplaters globally
 - Trial AM-lite with existing OEM zinc customers of accredited diecasters and electroplaters.
 - Market AM-lite as replacement for plastic, aluminium, AZ91 as well as zinc with other OEMs.
- Support Hyder joint venture in the marketing of AM-cover.
- Seek additional AM-converter sales, particularly in Europe.
- Beta test AM-HP2 plus in Europe and Japan.
- Work with partners in Japan on commercialising AM-cast.

Resources focused on commercialising AM-lite in the market while beginning to establish market presence for other magnesium products



CASH POSITION

- Commenced the 2008 financial year with \$6.57 million
 - \$170,000 of 2007 incurred cash expenses
 - \$340,000 provision for terminations
- Effective opening operating cash position for 2008, \$6.06 million.
- Head office and administration overheads reduced to approximately \$560,000. Unavoidable expenses such as share registry, insurance, patent costs and audit add a further \$720,000.
- Production Process Unit \$1.7 million.
- Marketing and Sales \$1.6 million.
- Interest income, AM-converter sales and Europe office sub-let bring in revenue of approximately \$315,000.

Sufficient cash to get through 2008 financial year and possibly to commercial viability



CASH POSITION

	<i>\$,000</i>
Balance at June 30, 2007	6,565
Less: 2007 incurred expenses	170
Terminations	<u>340</u>
Starting balance for 2008 operating year	6,055
 Production Process Business Unit	
- Includes CAST R&D	1,700
 Marketing and Sales	
- Includes CEO costs	1,600
 Administration	
- Includes unavoidable costs of \$720,000	<u>1,280</u>
Balance after cash outgoings	1,475
Plus "certain" cash income	<u>315</u>
End 2008 financial year cash balance	1,790



CASH SPEND, 1ST QUARTER

	\$'000
Operating Costs	
<i>Production Process Business Unit</i>	323
<i>Marketing and Sales</i>	351
<i>Administration</i>	<u>242</u>
	916
<i>Inflows – sundry sales income, interest and other revenue</i>	<u>118</u>
Net operating cash outflow	798
Non Operating Costs	
<i>Plus 2007 incurred expenses & terminations</i>	476
Net cash spend for 1st Quarter (up to 27 September)	\$1,274



SALES POTENTIAL

- No sales revenue included in cash budget.
- Long lead time to establish new metal in the global market.
- Reasonable to expect minimum 1000 tonnes of AM-lite sales in 2008 with potential to exceed 2000 tonnes.
- Revenue potential between US\$500,000 and US\$1 million in 2008 increasing significantly in 2009.
- Expect to achieve cash positive position early in 2009 financial year.

Little doubt there is a market for AML's suite of Mg alloys. Question is can cash break-even be achieved within current cash reserves?