



3 July 2007

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

Dear Sirs,

**RE: ASX Announcement**

Please find attached an Announcement on the status of AM-lite<sup>®</sup> sales contract.

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 a long, sweeping tail.

P.K. Nair  
**COMPANY SECRETARY**



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## **ASX ANNOUNCEMENT – 3 July 2007**

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### **SALES CONTRACT STATUS**

The new directors of Advanced Magnesium (AMN) have undertaken a comprehensive review of the business strategy, development programs and organisational structure of the company.

As a result of these reviews and the fact that previously advised estimates of approximately 5,000 tonnes of contracted sales for 2007 have not materialised, the Board has moved immediately to reduce its cash burn rate.

AMN will move to reduce operating costs so that current cash reserves will be sufficient to support the company beyond the 2008 financial year. This will involve a significant reduction in head office costs as well as a reduction in sales and technical personnel.

The Board and management have developed a Business Plan for 2008 which reduces the 2008 operating cash spend from \$7.8m to \$3.8m. The company currently has cash reserves of \$6.45m.

AMN had previously advised that it was expecting to conclude significant commercial orders in 2007. However this confidence has proved to be unrealistic and the Company is now of the view that no significant orders will be placed before the fourth quarter of financial year 2008. A significant component of these sales expectations relate to a major Chinese diecast manufacturer which AMN has been supporting in a product development program for the past 9 months. Once completed, this partner company has indicated its intention to sign a sales agreement for 4,000 tonnes of AM-lite<sup>®</sup> in the first year and 6,000 tonnes in the following year. Prior to signing an agreement, our partner company has indicated that it wants to undertake a program of tests with its customers and evaluate a range of alternative coating technologies. Our partner has to date achieved proficiency in diecasting and electroplating AM-lite. However in recent meetings it indicated that it wishes to undertake further surface coating tests and OEM approval and assessment processes which are expected to take at least 8 months.

A second development program in China is also underway with another major diecaster. It is our current expectation that early demand for AM-lite from this source will be modest and the Board is unable at this stage to forecast potential volumes.

In Europe we are currently undertaking joint development programs at two diecast manufacturing plants for three potential clients in the electronics and hardware sectors. We expect to announce the results of the first of these development programs in the first half of the 2008 financial year. Each of these programs may result in modest orders for AM-lite.

In North America we are currently undertaking a joint development program with an automotive manufacturer. Should it prove successful it will result in modest sales of AM-lite to a diecaster in North America.

The Company remains confident that whilst there are significant risks in commercialising its technology there is a broad commercial market for diecast products manufactured in AM-lite.