

## DIRECTORS' REPORT

The Directors of Advanced Magnesium Limited (formerly Australian Magnesium Corporation Limited) submit herewith the Annual Financial Report of the Company for the financial year ended 30 June 2006. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report is as follows:

The names and particulars of the Directors of the Company during or since the end of the financial year are:

### Board of Directors

#### **DR CHRIS RAWLINGS**

*PhD, B Sc (Hons), FAICD.*

#### **Non-Executive Chairman**

Dr Rawlings (55) is a former Managing Director of QCT Resources Ltd and was appointed to the AML Board on 3 October 2002. On 6 June 2003 he was appointed Acting Chief Executive Officer. He was appointed Executive Chairman on 22 November 2003 and resigned from his executive roles on 8 November 2004 and since then has been the Non-Executive Chairman of AML. He is the Chairman of Renison Consolidated Mines NL, Northern Energy Corporation Limited and D'Aguilar Gold Limited and a non-Executive Director of Uniquest Pty Ltd and JKTech Pty Ltd.

*Shareholding at 30 June 2006: 5,000 Ordinary Shares.*

#### **MR DENIS BYRNE**

*LL.B.*

#### **Non-Executive Director**

Mr Byrne (59) practised commercial law for 27 years with wide experience in the corporate, infrastructure and resources areas. He was President of the Queensland Law Society in 1985/1986 and the Law Council of Australia in 1988/1989. He was formerly the Managing Partner of Freehill Hollingdale & Page, Brisbane.

Mr Byrne is currently a member of the Australian and the New Zealand Takeovers Panel and Chairman of the Fisheries Research & Development Corporation. His other directorships include Stanwell Corporation Ltd and the Ball Solutions Group of Companies Australia – subsidiaries of Ball Corporation (US).

*Shareholding at 30 June 2006: 100,000 Ordinary Shares.*

#### **MR IAN HARTNELL**

*B. Eng. (Chem. Eng.), MBA.*

#### **Managing Director**

Mr Hartnell (58) joined the Company in 1987 and has over 30 years history in new project development, international marketing of metals and merchant banking. He was previously the General Manager of QMC and subsequently became Vice President Sales & Marketing of AML. He was appointed the Managing Director of the Company in November 2004.

*Shareholding at 30 June 2006: 9,100 Ordinary Shares and 656,000 Options.*

#### **MR CREAGH O'CONNOR**

*B.Ec., LL.B., ACA.*

#### **Non-Executive Director**

Mr O'Connor (45) is a Director and Principal of merchant bank advisory group Gryphon Partners. Mr O'Connor resigned from the Board of Directors on 20 April, 2006.

*Shareholding at 30 June 2006: not applicable.*

#### **MR KEN WILLIAMS**

*B.Ec (Hons), M App Fin, MAICD, CFTP.*

#### **Non-Executive Director**

Mr Williams (45) joined the AML Board as a Newmont appointee in April 2002 and became an independent non-executive director in December 2003. Mr Williams has over 20 years experience in corporate finance and treasury related roles and is a non-executive director of Havilah Resources NL, Curnamona Energy Limited, Geothermal Resources Limited and Queensland Cotton Limited.

*Shareholding at 30 June 2006: 15,000 Ordinary Shares.*

## DIRECTORS' REPORT

The above Directors held office during and since the end of the financial year except for:

- Mr Creagh O'Connor – resigned 20 April 2006

### Directorships of other listed companies

Directorships of other listed companies held by directors in the three years immediately before the end of the financial year are as follows:

Director and Company	Period of Directorship
<b>Dr CD Rawlings</b>	
Renison Consolidated Mines NL	Since 2002
D'Aguilar Gold Limited	Since 2003
Northern Energy Corporation Limited	Since 2005
<b>Mr FCH O'Connor</b>	
Hindmarsh Resources Ltd	Since 2003 Resigned April 2006
<b>Mr KG Williams</b>	
Havilah Resources NL	Since December 2003
Curnamona Energy Limited	Since January 2005
Geothermal Resources Ltd	Since July 2005
Queensland Cotton Ltd	Since January 2006
<b>Mr DM Byrne</b>	
Ball Solutions Group of Companies Australia (subsidiaries of Ball Corporation (US))	Since May 2005

### Company Secretary

#### MR PK NAIR

*B Bus (Acctg), MBA, FCA, FCPA, FCIS, FTIA, MAICD*

Mr Nair (49) joined AML in 1988. He was previously a tax manager for a chartered accounting firm and has over 30 years experience in commercial business.

### Principal activities

The principal activities of the consolidated entity during the course of the financial year consisted of:

- Researching and developing new proprietary magnesium alloys and technologies which will be required to support the future needs of automotive and other downstream users;
- Creating markets for these new alloys and technologies by supporting in-house demonstration trials and programs for developing new applications in alliance with these customers; and
- Manufacturing and selling these new alloys and technologies to its customers for a profit.

### Directors meetings

The following table sets out the number of directors meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, ten board meetings, one nomination and remuneration committee meeting and five finance and audit committee meetings were held.

Director	Board Meetings		Committee Meetings*	
	Attended	Held	FAC	REM
Dr CD Rawlings	10	10	5/5	1/1
Mr DM Byrne	10	10	5/5	1/1
Mr ID Hartnell	10	10	5/5	1/1
Mr FCH O'Connor	8	9	4/4	0/0
Mr KG Williams	10	10	5/5	1/1

\* Attendance reflects tenure of member, e.g. attended four of five (4/5) meetings while a committee appointee.

### Directors' shareholdings

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the Company or a related body corporate as at the date of this report.

Director	Security Type	Amount of shares
Dr CD Rawlings	Ordinary	5,000
Mr KG Williams	Ordinary	15,000
Mr DM Byrne	Ordinary	100,000
Mr ID Hartnell	Ordinary	9,100

Director	Options	Amount of Options*
Mr ID Hartnell	31 cent options	656,000

\* These options expire in October 2010.