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

Dear Sirs,

**Joint Venture - Advanced Magnesium Limited and Henan Keweier Alloy Materials Co., Ltd (HNKWE) - Commencement of Sales & Marketing Phase**

AML's joint venture alloy production plant in Henan Province in China undertook a commissioning phase during the last quarter of 2009.

The objectives of the commissioning phase were to

- prove up production capacity;
- refine production processes and staff skills; and
- ascertain the quality of, or any deficiencies in, the alloy output.

The commissioning phase established that the production capacity of the existing furnaces is 7,000 tonnes per annum and that certifiable alloy can be successfully produced.

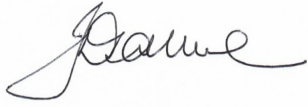
Following the plant commissioning in the period to 31 December 2009, HNKWE made a number of opportunistic sales and manufactured trial production quantities for prospective clients. The production process was also subjected to rigorous inspections and tests. Over the last few weeks HNKWE and AML have also commenced a global sales and marketing campaign.

As a result of this work, the Directors of AML have pleasure in announcing that the joint venture has secured two sales contracts aggregating 1,600 tonnes for delivery in 2010. Delivery under these contracts is to be made in the first and second quarters of the year. These confirmed orders will account for 45% of production capacity. However, the Directors are of the view that further orders currently under negotiation will quickly lift the capacity utilisation rate. In the meantime production will be maintained at a level sufficient to meet emerging sales.

AML is in the early stages of planning construction of a second module to take capacity to around 14,000 tonnes per annum.

The magnesium alloy market is currently experiencing a small rise in demand reflecting the stronger global economy. This has also caused a rise in the price of both primary magnesium and magnesium alloys.

The Board and management of AML are very pleased with the progress that has been made since the formation of the joint-venture and are encouraged by the growth opportunities before us.

A handwritten signature in black ink, appearing to read "John Talbot", written in a cursive style.

John Talbot  
Company Secretary  
Advanced Magnesium Limited