

NOTICE OF ANNUAL GENERAL MEETING



This document constitutes the Notice of Meeting for the Annual General Meeting of Advanced Magnesium Limited.

The Twenty-fifth Annual General Meeting of Advanced Magnesium Limited (the “Company”) will be held in the Bristol Room, Royal on the Park, Cnr Alice & Albert Streets, Brisbane on Tuesday, 18 November 2008 at 10.30 am (Brisbane time). The annual report is available for viewing on the Company’s web site http://www.am-technologies.com.au/pdf/AML_Annual_Report_30June2008.pdf

The business to be dealt with at the Meeting is:

ORDINARY BUSINESS

ITEM 1: Financial Report and Directors’ and Audit Report

To receive and consider the Financial Report, including the Directors’ declaration for the year ended 30 June 2008 and the related Directors’ report and Auditor’s report thereon.

Notes:

The Corporations Act 2001 requires that the Financial Report, including the Directors’ declaration for the year ended 30 June 2008 and the related Directors’ report and Auditors’ report, be laid before the Annual General Meeting. In addition, the Company’s Constitution provides for such reports and statements to be received and considered at the meeting. Neither the Corporations Act 2001, the ASX Listing Rules nor the Company’s Constitution requires a vote of shareholders at the Annual General Meeting on such reports or statements, however, shareholders will be given ample opportunity to raise questions with respect to these reports and statements at the meeting.

ITEM 2: Adoption of Remuneration Report (advisory only resolution)

To consider, and if thought fit, pass the following resolution as an advisory only resolution (ie non binding upon Directors):

Resolution 2 “To adopt the Remuneration Report for the year ended 30 June 2008 as set out in the Annual Report on pages 7 - 9.”

Notes:

Shareholders are entitled to vote on the question whether the Remuneration Report as contained in the Annual Report is to be adopted. Shareholders should note, however, that this is an “advisory only” resolution which does not bind the Directors of the Company.

The Board unanimously recommends that shareholders vote in favour of item 2.

ITEM 3: Re-election of Directors (ordinary resolution)

Resolution 3 “That Mr Stuart Fitton, who retires by rotation in accordance with Article 11.4 (a) (ii) of the Company’s Constitution, and being eligible, is re-elected as a Director of the Company effective from the close of the Annual General Meeting.”

Notes:

The Company’s constitution states that “An election of directors shall take place each year” and that “a Director (other than the managing director) shall not retain office for a period in excess of 3 years...”. [Article 11.4(a) (i)] All current directors were elected by shareholders at last year’s AGM. Given the ambiguity in the Company’s Constitution, directors have decided to put the matter beyond doubt. Mr Fitton will retire and is seeking re-election. The directors wish to avoid this situation occurring next year so are proposing an amendment to the Constitution (refer Resolution 6).

The Board (other than Mr Fitton) recommends that Shareholders vote in favour of the re-election of Mr Fitton.

ITEM 4: Issue of shares as compensation to Directors (ordinary resolution)

Overview:

The Board is of the opinion that the Company will be better served by Directors taking some or all of their compensation by way of an allocation of new shares.

Resolution 4(a) “That Mr Stuart Fitton be issued with ordinary shares equal in value to \$125,000 at a deemed issue price of \$0.05 - 2,500,000 ordinary shares in the Company as part compensation for his Remuneration as Executive Chairman from 9 July 2008 to 30 June 2009.”

The above resolution has been proposed in accordance with Listing Rule 10.11. The Company will disregard any votes cast on Resolutions 4a by Mr Fitton and his associates. However, the Company need not disregard a vote if:

- It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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Notes:

The Executive Chairman, Mr Fitton, agreed to take a cash compensation package of \$130,800 for the period of his initial contract to 8 July 2008. The Board has agreed that

- in respect of the period 9 July 2008 to 31 December 2008 his cash compensation be \$200,000 plus 9% superannuation thereon; and
- in respect of the period 1 January 2009 to 30 June 2009 his cash compensation be increased by \$50,000 to \$250,000 plus 9% superannuation calculated by reference to \$200,000.

The greatest chance for successful commercialisation of the company's proprietary alloy technology rests with preserving cash and focusing resources on marketing to OEMs. The ongoing rationalisation of high cost non-marketing resources and the focusing of residual and new resources on the marketing task have demanded a greater impost upon Mr Fitton's time. It has also demanded that he be the strategist and a principal in executing the marketing plan. The latter has required extensive overseas travel within Europe and Asia.

Given the risks Mr Fitton has assumed in his employment (and the associated opportunity cost) and the demands upon his time and energy it is the estimation of the Non-Executive Directors of the company, that the cash remuneration represents a discount to the value that the market might put on Mr Fitton's employment in this role.

In recognition of these factors the Non-Executive Directors of the Board recommend that shareholders agree to Mr Fitton receiving additional compensation in the form of new shares in the company.

It is recommended that Mr Fitton be granted shares in the company to the value of \$125,000. The shares will be issued as soon as practical following shareholder approval but in any event no later than 1 month following shareholder approval. The shares will be held in voluntary escrow by the Company and released to Mr Fitton in two equal instalments;

- the first tranche (1,250,000 shares) on 31 December 2008 and
- the remaining tranche on 30 June 2009.

Mr Fitton has an interest in the outcome of resolution 4a. As such, he has not given a recommendation with respect to this resolution.

Apart from Mr Fitton, none of the Directors has an interest in the outcome of resolution 4a, other than as shareholders of the Company. They consider that it is appropriate that they should make a recommendation to shareholders with respect to this resolution.

The remaining Directors, other than Mr Fitton, unanimously recommend that shareholders vote in favour of resolution 4a because they believe shares will be an ongoing incentive to Mr Fitton particularly in vigorously pursuing an aggressive marketing plan. The further share issue will at least partly recognise the opportunity cost and risk Mr Fitton has assumed in his continuing employment.

Listing Rule 7.2 exception 14 states that if shareholder approval is sought pursuant to Listing Rule 10.11 then shareholder approval is not required under Listing Rule 7.1. This means that the above resolution, if approved, does not restrict the Company's ability to issue 15% of its ordinary securities without shareholder approval.

Resolution 4(b) "That Mr Nicholas Andrews and Mr Michael Brown (Non Executive Directors current as at the date of this meeting) each be issued with ordinary shares equal in value to \$20,000 at a deemed issue price of \$0.05 - 400,000 ordinary shares each in the Company as part compensation for their remuneration."

The above resolution has been proposed in accordance with Listing Rule 10.11. The Company will disregard any votes cast in respect of Resolution 4b by Directors and their associates. However, the Company need not disregard a vote if:

- It is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Notes:

At the 2007 Annual General Meeting it was foreshadowed that the remuneration regime for the Non Executive Directors would be reviewed at the 2008 AGM.

Within the constraint of the aggregate \$600,000 fees approved by Shareholders for Non-Executive Directors (NEDs), the Board has set compensation at \$40,000 per annum for each Non Executive Director. Chairmanship of the Finance and Audit Committee and the Remuneration Committee attracts additional compensation of \$12,500 per annum and Membership of each of these committees \$5,000 per annum. Superannuation on each NED's fees is also paid.

The NEDs of the Company have agreed to forego payment of cash fees associated with Chairmanships and memberships of the Finance and Audit Committee and the Remuneration Committee in respect of the period 1 July 2008 to 31 December 2008. Committee compensation will be reviewed on 1 January 2009. At this stage, the Board vacancy created by the resignation of Mr Ralph on 25 August 2008 will not be filled. As such the diminished Board and the intensive overview will impose greater time demands upon NEDs.

The shares will be issued as soon as practical following shareholder approval but in any event no later than 1 month following shareholder approval. The shares will be held in voluntary escrow by the Company and released to each Non Executive Director on 1 January 2009.

The Directors have an interest in the outcome of resolution 4b. As such, they have not given a recommendation with respect to this resolution.

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Listing Rule 7.2 exception 14 states that if shareholder approval is sought pursuant to Listing Rule 10.11 then shareholder approval is not required under Listing Rule 7.1. This means that the above resolution does not restrict the Company's ability to issue 15% of its ordinary securities without shareholder approval.

Resolution 5 "That Camphin Boston Chartered Accountants of Level 9, 5 Elizabeth Street Sydney NSW 2000 be appointed as the Company's auditors."

The current auditors of the Company's accounts are Deloitte Touche Tohmatsu located in Brisbane.

Having regard to the limited nature and extent of the Company activities, its location now in Sydney and its focus on cash management and marketing, the Finance and Audit Committee is of the view that an appropriately qualified firm will be able to offer an improved cost/benefit equation. Camphin Boston has presented a scope of works to conduct a review of the half yearly accounts to 31 December 2008 and an audit of the annual accounts to 30 June 2009 for an estimated cost of \$58,000 (compared with \$72,650 for the year ended 30 June 2008).

Resolution 6 "That Article 11.4 (a) (ii) of the Company's Constitution be amended to remove the requirement that one-third of the directors retire at each Annual General Meeting."

Notes:

Article 11.4(a) (i) replicates the requirements under the Listing Rules which require that no director (other than a managing director) hold office for more than 3 years without seeking election. The Listing Rules also require that an election of directors be held at each Annual General Meeting.

The new director retirement provisions remove the requirement that one-third of the directors retire at each Annual General Meeting to avoid the situation where directors are regularly required to seek re-election at intervals shorter than three years.

DETERMINATION OF VOTING ENTITLEMENT

For the purposes of this meeting, persons who are registered holders of shares at 7:00pm Sydney time on Sunday 16 November 2008 will be entitled to vote.

APPOINTING A PROXY

A member entitled to vote may appoint a proxy to attend and vote on behalf of the member. If the member is entitled to cast more than two votes, the member may appoint two proxies to attend and vote instead of the member. Where more than one proxy is appointed, each proxy may be appointed to represent a specified portion of the member's voting rights. If no such specification is given and two proxies are appointed, each may exercise half the votes to which the member is entitled. A proxy need not be a member. Proxies must be executed in accordance with the instructions in the notes accompanying the proxy form.

To be valid, the signed proxy form (together with an original or certified copy of the power of attorney) - if applicable must be:

- Lodged with Link Market Services at Level 12, 680 George Street, Sydney NSW 2000;
- Delivered by post to Link Market Services at Locked bag A14, Sydney South NSW 1235; or
- Sent by facsimile to Link Market Services on (02) 9287 0309;

so as to be received by Link Market Services by 11:30 am Eastern Standard Day Light Savings Time on Sunday 16 November 2008, being not less than 48 hours before the time for holding the meeting.

By order of the board.



J Talbot
Company Secretary
19 September 2008

Helpline: If you have any questions regarding the meeting or proxy voting, please do not hesitate to contact the Company's share registrar **Link Market Services** on **(02) 8280 7454**