



29 August 2007

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

Dear Sirs,

RE: Notice of 2007 Annual General Meeting

Please find attached:

- Shareholder Pack
- Election Letter
- Proxy Form
- Notice of Meeting
- Annual Report

in relation to the Company's forthcoming Annual General Meeting to be held on 28 September 2007. These documents will be dispatched to Shareholders today.

Yours sincerely,

A handwritten signature in black ink, appearing to read "P.K. Nair". The signature is fluid and cursive, with the first letter of each name being significantly larger and more prominent.

P.K. Nair
COMPANY SECRETARY

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 Catalina & DeHavilland Room, Royal on the Park, Cnr Alice & Albert Streets, Brisbane on Friday, 28 September 2007 at 10.00 am (Brisbane time).

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 2007 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 2007 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:

Resolution 2 “To adopt the Remuneration Report for the year ended 30 June 2007 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(a) “That Mr Fitton, a Director appointed by the Directors in accordance with the Company’s Constitution and retiring in accordance with the Constitution, being eligible, be re-elected as a Director of the Company.”

Notes:

Mr Fitton was appointed to the Board on 2 May 2007.

Stuart Fitton has had experience in global finance and corporate advisory roles in Australia, the UK and the United States. Stuart has been employed as a senior executive with Barclays Bank, Citibank, Bain & Co and GE Capital. He is also a former finance director of MIM Holdings. Stuart brings to Advanced Magnesium an understanding of global capital markets and a wealth of management experience.

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

Resolution 3(b) “That Mr Ralph, a Director appointed by the Directors in accordance with the Company’s Constitution and retiring in accordance with the Constitution, being eligible, be re-elected as a Director of the Company.”

Notes:

Mr Ralph was appointed to the Board on 2 May 2007.

Greg Ralph is the Managing Partner of Gould Ralph & Company, Chartered Accountants and has been engaged in professional practice for over thirty years. Greg commenced his career with Peat Marwick Mitchell (now KPMG) in Sydney before founding Gould Ralph & Company in 1982. His professional practice largely involves listed companies and other public interest entities where he has audited and consulted across a broad range of industries. Additionally, Greg has assisted a number of companies achieve quotation on the ASX and SGX and brings significant experience in the commercialisation of technologies through his involvement with venture capitalists, including CVC.

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

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Resolution 3(c) “That Mr Andrews, a Director appointed by the Directors in accordance with the Company’s Constitution and retiring in accordance with the Constitution, being eligible, be re-elected as a Director of the Company.”

Notes:

Mr Andrews was appointed to the Board on 10 May 2007.

Nick Andrews has held a variety of positions in the Australian financial sector over the last 25 years. Nick spent 10 years with a global investment bank in management and sales in London and Sydney and 11 years as an institutional equities investor in large and small cap securities in Australia before co-founding Pegasus Corporate Advisory in 2005.

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

Resolution 3(d) “That Mr Brown, a Director appointed by the Directors in accordance with the Company’s Constitution and retiring in accordance with the Constitution, being eligible, be re-elected as a Director of the Company.”

Notes:

Mr Brown was appointed to the Board on 10 May 2007.

Michael Brown has held leadership and senior research positions with global investment bank teams over 17 years in Sydney, London, Hong Kong and New York before co-founding Pegasus Corporate Advisory in 2005.

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

ITEM 4: Issue of shares as compensation to Directors and Group personnel (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, reserving the application of available cash for the commercialisation of the Company’s magnesium technologies.

Resolution 4(a) “That Mr Fitton be issued with 1,368,867 ordinary shares in the Company as compensation for his Remuneration as Executive Chairman from 9 July 2007 to 8 July 2008.”

The above resolution has been proposed in accordance with Listing Rule 10.11. The voting exclusion statement is included in the last page of this document.

Notes:

The Executive Chairman, Mr Fitton, has agreed to take a cash compensation package of \$130,800 for the period of his contract. In the estimation of the Non-Executive Directors of the company, this figure represents a significant discount to the value that the market might put on Mr Fitton’s employment in this role.

In recognition of this and in recognition of the benefit to the company at this juncture in paying a reduced cash compensation package, 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 \$246,396. The shares will be issued within one month of shareholder approval but will be held in voluntary escrow by the Company and released to Mr Fitton in two equal instalments; the first tranche at the end of six (6) months of continuous service and the remaining tranche at the end of the contract (8 July 2008) providing Mr Fitton remains employed by AML for the full 12 months as stipulated in his contract.

The total number of shares to be granted will be 1,368,867. The number of shares has been calculated using a share price of 18c. The share price was fixed at a premium to the prevailing share price at the time of Mr Fitton’s appointment to the position of Executive Chairman on 9 July 2007.

The grant of this non-cash compensation package is dependent on the Company achieving certain performance targets in relation to key performance indicators that were agreed with Mr Fitton at the time of his appointment. No funds will be raised under this resolution.

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 by issuing shares for the majority of Mr Fitton’s remuneration, Company cash can be preserved and utilised for the commercialisation of the Company’s products.

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.

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Resolution 4(b) “That the Non Executive Directors be issued with 1,738,944 ordinary shares in the Company as compensation for their remuneration. The shares will be allocated in the proportion described in the notes below.”

The above resolution has been proposed in accordance with Listing Rule 10.11. The voting exclusion statement is included in the last page of this document.

Notes:

Board compensation has been set at \$40,000 per annum for each Non Executive Director with the Non Executive Chairman to receive \$60,000 per annum. Chairmanship of the 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. It is proposed that Directors can choose to take all or part of these sums in shares, at the agreed ratio and price, or in cash.

The Non-Executive Directors (NEDs) of ANM have agreed to forgo all or part of the cash compensation due to them as Directors of Advanced Magnesium until further notice.

It is proposed that a motion be put to shareholders at the AGM, recommending that the NEDs be compensated by an allocation of new shares, in a ratio of \$2 worth of shares for each dollar of compensation forgone, in lieu of part or all of monthly cash remuneration at a share price of 18c. This is the same price and premium to the share price as struck in the agreement for the compensation of the Executive Chairman.

The ratio of 2 to 1 provides directors with an opportunity to participate in the success of the policies that they are responsible for implementing and recognises that directors will be forgoing the certainty of monthly cash payments for a future grant of shares in the Company.

The shares will be issued within one month of shareholder approval but will be held in voluntary escrow by the Company and released to each Non Executive Director in two equal instalments (except for Mr Fitton who's shares will be issued in the first lot); the first tranche will be in early January 2008 and the remaining tranche in early July 2008.

It is anticipated that this compensation structure will be reviewed at the 2008 AGM.

Mr Nicholas Andrews became a non executive director on 10 May 2007. He is the Chairman of the Remuneration & Appointments Committee. Mr Andrews receives an annual compensation of \$52,500 for Board and Committee activities. Mr Andrews has agreed to waive his amount of compensation from 10 May 2007 to 30 June 2007 which amounts to \$7,480. From 1 July 2007 Mr Andrews has agreed to receive his entire 2008 compensation in shares (subject to shareholder approval). The total number of shares that will be issued pending shareholder approval will be 583,333 (with 291,667 released in early January 2008 and 291,666 released in early July 2008).

Mr Gregory Ralph became a non executive director on 2 May 2007. He is the Chairman of the Finance, Audit and Compliance Committee. Mr Ralph receives an annual compensation of \$52,500 for Board and Committee activities. Mr Ralph has agreed to waive his amount of compensation from 2 May 2007 to 30 June 2007 which amounts to \$8,609. Mr Ralph has agreed to receive his entire 2008 compensation in shares (subject to shareholder approval). The total number of shares that will be issued pending shareholder approval will be 583,333 (with 291,667 released in early January 2008 and 291,666 released in early July 2008).

Mr Michael Brown became a non executive director on 10 May 2007. He is a member of the Remuneration & Appointments Committee and a member of the Finance, Audit and Compliance Committee. Mr Brown receives an annual compensation of \$50,000 for Board and Committee activities. Mr Brown has agreed to waive his amount of compensation from 10 May 2007 to 30 June 2007 which amounts to \$7,124. Mr Brown has agreed to receive his entire 2008 compensation in shares (subject to shareholder approval). The total number of shares that will be issued pending shareholder approval will be 555,556 (with 277,778 released in early January 2008 and 277,778 released in early July 2008).

Mr Stuart Fitton was a non executive Chairman for the period 2 May to 8 July 2007. He is the member of the Remuneration & Appointments Committee and a member of the Finance, Audit and Compliance Committee. The amount of compensation for Board and Committee activities from 2 May 2007 to 30 June 2007 amounts to \$11,478 which Mr Fitton has agreed to waive. For the period 1 July 2007 to 8 July 2007, Mr Fitton has agreed to take his compensation of \$1,505 entirely in shares (subject to shareholder approval). The total number of shares that will be issued pending shareholder approval will be 16,722 and released in early January 2008.

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

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 4(c) “That the Group’s Personnel be issued with ordinary shares in the Company if they elect to receive shares in lieu of up to 50 per cent of their fixed remuneration.”

Notes:

The Company wishes to provide all Group employees and managers who receive fixed remuneration from Group companies, the opportunity to participate in this share compensation scheme. Pending shareholder approval, personnel will be allowed to take ordinary shares in lieu of up to 50 per cent of their fixed remuneration to obtain an allocation of shares based on the above criteria. This will be a voluntary election made by each personnel depending on their own circumstances.

None of the Directors has an interest in the outcome of resolution 4c, 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.

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The Directors unanimously recommend that shareholders vote in favour of resolution 4c because they believe by issuing shares for a component of Group personnel's remuneration that this will continue to motivate the team, align Group personnel's objectives with shareholders' and the Company cash can be preserved and utilised for the commercialisation of the Company's products.

Any issue of shares under this resolution will apply against the Company's 15% capacity.

RESOLUTIONS 4a AND 4b - VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast on Resolutions 4a by Mr Fitton and his associates and 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.

DETERMINATION OF VOTING ENTITLEMENT

For the purposes of this meeting, persons who are registered holders of shares at 7.00pm Sydney time on Wednesday, 26 September 2007 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 10:00am (Brisbane time) on Wednesday, 26 September 2007, being not less than 48 hours before the time for holding the meeting.

By order of the Board.



P. Nair
Company Secretary
17 August 2007

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**.

A D V A N C E D M A G N E S I U M L I M I T E D

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