



# NOTICE OF ANNUAL GENERAL MEETING

**2006**

# NOTICE OF ANNUAL GENERAL MEETING



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

The Twenty-fourth Annual General Meeting of Advanced Magnesium Limited (the "Company") will be held in Meeting Room 'P1', Plaza level, The Brisbane Convention Centre, Merivale Street (Cnr. Glenelg Street), South Brisbane on Wednesday, 22 November 2006 at 10.00am (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 2006 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 2006 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:

"To adopt the Remuneration Report for the year ended 30 June 2006 as set out in the Annual Report on pages 11 and 13."

#### 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)

"That Dr CD Rawlings, a Director retiring by rotation in accordance with the Company's Constitution, being eligible, be re-elected as a Director of the Company."

#### Notes:

*Re-election of Dr CD Rawlings (non-Executive Director) - Director since October 2002.*

*Dr CD Rawlings (56) 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, D'Aguilar Gold Limited, Queensland Energy Resources Ltd and non-Executive Director of Uniquest Pty Ltd and JKTech Pty Ltd.*

**The Board (other than Dr CD Rawlings) recommends that Shareholders vote in favour of the re-election of Dr CD Rawlings.**

## SPECIAL BUSINESS

### ITEM 4: Amendment of Constitution - sale of non-marketable parcels of shares by the Company (special resolution)

To consider, and if thought fit, pass the following resolution as a special resolution:

"That the constitution of the Company is amended in the manner set out in Annexure A to the notice of meeting."

#### Notes:

*Under the Australian Stock Exchange (ASX) Listing Rules a non-marketable parcel of shares is currently a parcel that has a market value less than \$500.*

*Currently there are 17,361 shareholders out of a total number of 20,229 shareholders who hold non-marketable parcels of shares, which shares represent about 8.67% of the share capital of the Company.*

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*It is proposed to amend the Company's constitution to enable the Company in accordance with the ASX Listing Rules to sell shares held by a shareholder that constitutes a non-marketable parcel of shares, unless the shareholder notifies the Company that he or she does not wish the shares to be sold.*

*If implemented, the proposed amendment will benefit:*

- *shareholders who do not wish to retain small holdings as they will be able to sell their shares without incurring brokerage or other transaction costs, which can be high in the context of a small parcel of shares; and*
- *the Company as the share registry costs of maintaining non-marketable parcels of shares is high relative to the value of shares in the parcel. The ability of the Company to sell non-marketable parcels of shares will reduce the ongoing costs of maintaining the Company's share register.*

*Under the proposed amendment, a sale can only be effected if the Company sends a notice to the relevant shareholder of its intention to sell the non-marketable parcel of shares. A shareholder will have at least six weeks from the date of receiving a notice to elect to keep their non-marketable parcel of shares. If an election is not received from a shareholder by the required time, the shareholder appoints the Company as its agent to sell the shares.*

*Any shares sold in accordance with the proposed amendment are to be sold in the ordinary course of trading on the stock market conducted by ASX. The proceeds of sale will be sent to the shareholder.*

*The shareholder will not bear any costs involved in the sale of a non-marketable parcel of shares. If the proposed amendment is passed, the Company may exercise the power of sale in relation to each relevant shareholder only once in a twelve month period, and the sale procedure ceases if a takeover bid for the Company is announced before a sale is effected.*

*Any amendment of the constitution must be approved by a special resolution. This means that the resolution must be passed by at least 75% of the votes cast by members entitled to vote on the resolution.*

**The Board unanimously recommends that the shareholders vote in favour of this special resolution.**

## DETERMINATION OF VOTING ENTITLEMENT

For the purposes of this meeting, persons who are registered holders of shares at 7.00pm Sydney time on Monday, 20 November 2006 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 Monday 20 November 2006, being not less than 48 hours before the time for holding the meeting.

By order of the board.



**P. Nair**  
Company Secretary  
29 September 2006

**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**.

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## ANNEXURE A

It is proposed that the constitution of Advanced Magnesium Limited be amended in the manner set out below.

Inserting the following new clause 6A after clause 6:

### 6A SALE OF NON-MARKETABLE PARCELS

#### 6A.1 Definitions

In this clause:

**Corporations Act** means the *Corporations Act 2001 (Cth)*.  
**CS Facility** has the same meaning as "prescribed CS facility" in the Corporations Act.

**CS Facility Operator** means the operator of a CS Facility.

**Marketable Parcel** means the number of shares that in aggregate constitutes a marketable parcel of shares within the meaning of the Listing Rules.

**Minority Holder** means any member who from time to time holds a Non-Marketable Parcel.

**Non-Marketable Parcel** means a parcel of shares that is less than a Marketable Parcel.

**Notice** means the notice given to Minority Holders in accordance with clause 6A.3.

**Notice Date** means the date of the Notice sent by the Company under clause 6A.3.

**Operating Rules** means the operating rules for the time being of a CS Facility regulating the settlement, clearing and registration of uncertificated securities, except to the extent of any express written waiver by the CS Facility Operator.

**Sale Consideration** means the proceeds of sale or other disposal of shares under clause 6A.5.

**Takeover** means

- (a) a takeover bid; or
- (b) a similar bid under a foreign regime.

#### 6A.2 Power to sell non-marketable parcels

- (a) Subject to the Corporations Act, the Listing Rules, the Operating Rules and this Constitution, the Company may dispose of the Non-Marketable Parcels of Minority Holders in the manner set out in this clause 6A.
- (b) The Company may dispose of the Non-Marketable Parcels of Minority Holders under this clause 6A only once in any twelve month period.
- (c) This clause 6A ceases to have effect following the announcement of a Takeover, but begins to have effect again after the close of offers made under the Takeover.

#### 6A.3 Notice

- (a) The Company must not sell a Non-Marketable Parcel of a Minority Holder unless it has, not less than 42 days prior to the sale, given a Notice in writing to the Minority Holder of its intention to dispose of the Non-Marketable Parcel.
- (b) Each Minority Holder of whom a Notice has been served, may by notice in writing addressed to the Secretary and delivered to the registered office of the Company within 42 days after the Notice Date, request the Company not to sell the Minority Holder's Non-marketable Parcel, in which event the provisions of this clause 6A will not apply to that Minority Holder.

#### 6 A.4 Procedure

- (a) Each Minority Holder appoints the Company as the Minority Holder's agent to sell, within a reasonable period after the period ending 42 days after the Notice Date, the Minority Holder's Non-Marketable Parcel in the ordinary course of trading on the stock market conducted by ASX and acting in good faith and to receive the Sale Consideration on behalf of the Minority Holder.

- (b) Each Minority Holder appoints the Company and each of its Directors from time to time as the holder's attorney in the name and on behalf of the holder to effect all transfers and execute all deeds or other documents or instruments and do all things necessary to transfer the Non-Marketable Parcel from the holder to the transferee.
- (c) The transferee of shares sold under this clause 6A is not responsible for the regularity of proceedings or the application of the purchase money in respect of the sale of a Non-Marketable Parcel. After the transferee's name has been entered in the register in respect of such shares, the validity of the sale or other disposal may not be impeached by any person and the remedy of any person aggrieved by the sale or other disposal will be in damages only and against the Company exclusively.
- (d) The Company may issue the transferee such certificates for the shares as may be required in order to vest title in the transferee. The title of the transferee to shares sold under this clause 6A will not be affected by any irregularity in connection with the sale or disposal of the shares to the transferee.
- (e) If the relevant shares are certificated, the Company must cancel the certificates of all holders whose shares are sold under this clause 6A.
- (f) If all the shares of two or more holders to whom this clause 6A applies are sold to one purchaser the transfer may be effected by one transfer document.

#### 6A.5 Sale Consideration

- (a) The Sale Consideration must be received by the Company and paid to the Minority Holder or as the Minority Holder may direct.
- (b) The Company must bear all costs as a result of the sale or disposal of shares under this clause 6A.
- (c) Payment by the Company of any consideration under this clause 6A is at the risk of the Minority Holder to whom it is sent.
- (d) The Sale Consideration so received by the Company must be paid into a bank account opened and maintained by the Company for that purpose only.
- (e) The Company must hold the Sale Consideration so received in trust for a Minority Holder whose shares are sold under this clause 6A pending distribution of the Sale Consideration. The Company must, as soon as practicable after the sale of the shares of a Minority Holder, and to the extent that it may reasonably do so, distribute the Sale Consideration received to such Minority Holder provided that the Company has received any certificates issued to the Minority Holder with respect to the shares or, in the case of loss or destruction of any such certificate, any additional documentation required by the Corporations Act.
- (f) Where the Sale Consideration is held in trust by the Company under this clause 6A and is unclaimed, the Company must pay the money in accordance with applicable legislative requirements.

#### 6A.6 Certificates

A certificate in writing under the hand of any two Directors or of any one Director and Secretary that:

- (a) any notice required to be served by or on the Company was or was not served, as the case may be;
- (b) any advertisement required to be published was published; and
- (c) any resolution of Directors required to be made was made.

is, for the purpose of this clause 6A, sufficient evidence of the facts stated as against all persons claiming to be entitled to such shares and to the right and title of the Company to dispose of such shares.