



**Advanced
Magnesium**
Limited

22 November 2006

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

Dear Sirs,

RE: ANNOUNCEMENT

Pursuant to ASX Listing Rule 3.13.3, please find attached a presentation given to shareholders at the Annual General Meeting held today at Brisbane Convention Centre, Cnr Merivale & Glenelg Streets, Brisbane commencing at 10.00 am (AEST).

Yours sincerely

P K Nair
COMPANY SECRETARY

ADVANCED MAGNESIUM LIMITED
CHAIRMAN'S ADDRESS
ANNUAL GENERAL MEETING – WEDNESDAY, 22 NOVEMBER 2006

Ladies and Gentlemen,

At this meeting last year, Ian Hartnell, your Company's Managing Director, outlined a plan to launch Advanced Magnesium Limited's product range onto a number of potential markets.

The Company had been recently restructured and your management had attracted \$13 million of funds from new investors to recapitalise the Company.

I am pleased to report this year that significant progress has been made over the last 12 months, during a period of rapid change in the magnesium metal production and alloy supply sectors.

The highly cost competitive Chinese producers of magnesium metal have all but eliminated their international competition. There have been announcements of closure of at least six international magnesium metal plants over the last four years. The capacity of the Chinese magnesium metal production sector is approximately 750,000 tonnes while the world demand for magnesium is approximately 475,000 tonnes. Clearly they have a significant capital cost and operating advantage over competitors in the Western world.

Rather than compete in magnesium metal production, your Company is working to increase the demand for magnesium products, through new proprietary alloys, technologies and applications. Our strategy is based on introducing the special attributes of our alloys to potential customers and then implementing cost effective alloy replacement for other materials, used in existing diecasting products, and expanding opportunities for use of our alloys in new products. There is strong interest from many potential customers because of the economic advantages of switching to AM-lite[®] during a time of high commodity prices, particularly for zinc. The increased number of product units per tonne of AM-lite compared with zinc and aluminium, and the lower diecasting costs associated with AM-lite contributes to a very attractive cost saving.

The first marketing phase undertaken last year was to make customers aware of the potential of the Company's initial flagship product, AM-lite. A large number of technical presentations were made directly to the potential users of AM-lite and technical presentations were delivered at international conferences. The second part of this phase was to undertake production die casting trials of AM-lite in selected customer plants. I would like to publicly thank those Companies, who disrupted their production lines, to trial AM-lite. This is a significant commitment to testing a new material under production conditions. I am happy to say most production tests were successful.

The current commercialisation phase involves dedication of the Company's resources to a select few die casting customers in Europe, Asia and North America to introduce AM-lite to their production lines. These customers have indicated, that they are prepared to invest their resources, in the near term, to producing their products in AM-lite. Recent commercial commitments have been discussed in ASX releases.

CHAIRMAN'S ADDRESS
ANNUAL GENERAL MEETING – WEDNESDAY, 22 NOVEMBER 2006

The Company has entered in to a Joint Venture with Hyder International to market AM-Cover® as a greenhouse friendly replacement cover gas for magnesium diecasters to take advantage of the commercial benefits of carbon trading credits created. This is a new business for AML and has the potential to progressively grow.

As will be seen from Ian Hartnell's presentation, we are prudently managing our cash reserves and there is sufficient cash to take your company forward beyond the current financial year. We are working hard to manage our cash resources to sales breakeven by 30 June 2008.

I would personally like to thank Ian Hartnell and the entire AML team, on your behalf, for their dedicated efforts over the past 12 months. They have achieved what they set out achieve and are proceeding to commercialise this technology business to a dedicated plan and at steady rate.

I would also like to thank my fellow directors for their determined and energetic contributions and their sound guidance in governance.



Ian Hartnell
CEO

Advanced Magnesium Limited
AGM 2006 - CEO's address

developing technologies for the future

SLIDE 1:

Thank you Mr Chairman

Good Morning Ladies and Gentlemen

It is now twelve months since Advanced Magnesium first launched its exciting new alloy AM-lite® onto the international market. The Board and Management are pleased to report that, subject to the successful commercial launch of a number of products from development programs currently underway, the Company is projected to achieve annualised sales of around 5,000 tonnes per annum (tpa) of AM-lite by the end of June, 2007.

This represents a substantial achievement on the part of AMT and reflects both the outstanding characteristics and qualities of our products and the professionalism and dedication of our technical staff and international marketing teams. It also reflects an exciting shift from promotion and product trialling to production commitment, in the process of introducing our new product to the global magnesium market.

What is our Business?

- ***Develop new alloys and technologies (R&D)***
- ***Create demand (technical support)***
- ***Sub-contract the manufacture of our products under licence***
- ***Supply AM-products for profit***

SLIDE NO. 2



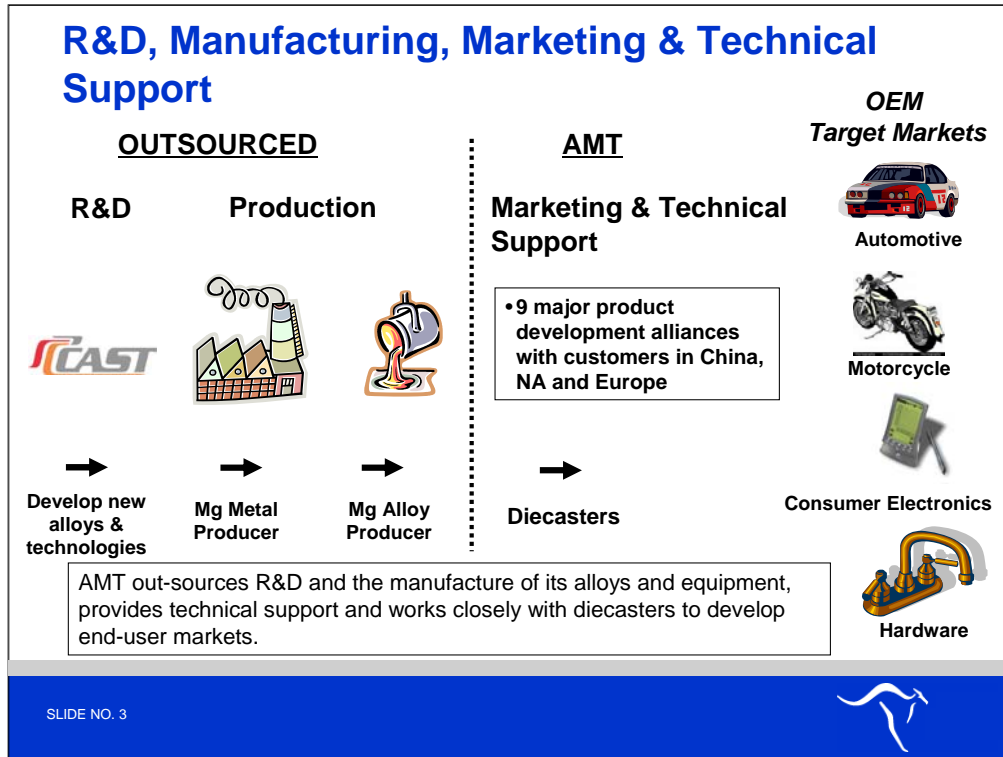
SLIDE 2:

Before giving you an update on our activities, I would like to reiterate a few comments about who we are and what we do.

Advanced Magnesium:

- Develops new magnesium alloys and process technologies (AM-products) for future applications using outsourced R&D services (predominantly the CAST Cooperative Research Centre).
- Creates demand for those AM-products by introducing them to targeted customers in North America, Europe and Asia and supports those customers with specialised technical expertise in design, metal handling, diecasting and R&D troubleshooting backup.
- Licences selected alloy manufacturers and equipment manufacturers to manufacture AM-products exclusively for Advanced Magnesium.
- Supplies AM-products to its customers at a competitive price which covers all costs of sales (manufacturing, logistics, insurance, duties, warehousing, agents fees) plus Advanced Magnesium's profit margin.

In summary, we develop new advanced magnesium alloys and technologies, manufacture them using licenced specialist manufacturers, and market them on a global basis for profit.



OEM Target Markets



Automotive



Motorcycle



Consumer Electronics



Hardware

SLIDE NO. 3


SLIDE 3

Advanced Magnesium outsources most of its research to the CAST Cooperative Research Centre.

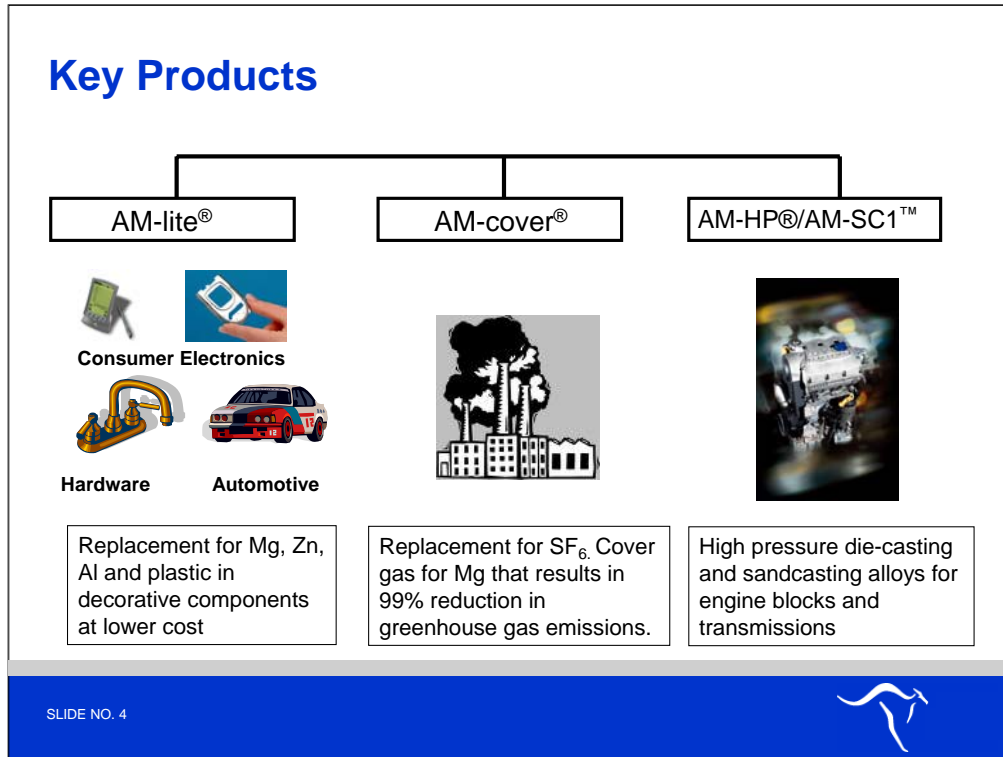
CAST is one of the world's leading light metal research organisations and is supported by researchers from CSIRO, the University of Queensland, Monash University, Deakin University and Swinburne University of Technology.

Advanced Magnesium is working with CAST to develop a continuous pipeline of new technologies to supplement our existing portfolio of world class AM-products.

Over the past 4 years, severe competition from China has forced virtually every major western magnesium producer to close. Those affected include Dow Chemical's plant in Texas, Alcoa's plant in Washington State, Norsk Hydro's plants in Norway and Canada, Pechiney's plant in France, Ube's plant in Japan and Noranda's plant in Canada. The Chinese now produce almost 80% of the world's primary magnesium and have installed capacity representing about 150% of total world demand.

Rather than try and compete with China, Advanced Magnesium now has its alloys produced under licence by selected alloy manufacturers who use either low cost Chinese magnesium or competing sources of magnesium from the remaining handful of western producers. These alloys are delivered to Advanced Magnesium, who on-supplies to our customers.

It is then up to Advanced Magnesium's global team of highly experienced technical specialists to support our customers to develop new applications for these alloys. This is a non-trivial exercise which I will discuss shortly.



SLIDE 4

Advanced Magnesium has a number of other products in addition to those listed above.

AM-lite is a revolutionary new magnesium alloy that has significant cost advantages for manufacturers of zinc, aluminium, plastic and other magnesium diecast products.

It is the first Mg alloy that can be easily electroplated at a low cost. This is a key breakthrough that offers significant opportunities for manufacturers.

AM-cover is a proven patented cover-gas technology which is a direct replacement for SF₆, the cover-gas currently used by the magnesium industry, and results in up to 99% reduction in greenhouse gas emissions for magnesium melting operations.

Advanced Magnesium has formed a joint venture with Hyder Consulting to use this technology to generate carbon credits under the Kyoto Protocol in various countries around the world.

AM-HP2 and AM-SC1 are magnesium alloys for engine blocks and other automotive powertrain applications. Major manufacturers in the USA, Europe and Asia are currently evaluating these engine alloys.

The test results show considerable performance improvements over the magnesium engine alloys that are currently available, but it will be several more years before these alloys appear in high volume commercial applications.

Target Replacement Products for AM-lite

Sector	Electroplated or painted components	Existing Material
Automotive	<ul style="list-style-type: none"> ➤ Headlight & tail light reflectors ➤ Door handles (interior & exterior) ➤ Mirrors ➤ Decorative trim ➤ Valve covers 	<ul style="list-style-type: none"> ➤ Plastic, magnesium ➤ Zinc, plastic ➤ Zinc, plastic ➤ Plastic ➤ Plastic, aluminium
Motorcycles	<ul style="list-style-type: none"> ➤ Side cover plates ➤ Badges, decorative trim ➤ Housings 	<ul style="list-style-type: none"> ➤ Aluminum ➤ Zinc ➤ Zinc, aluminium
Electronics	<ul style="list-style-type: none"> ➤ Mobile phone cases ➤ Laptop computer cases 	<ul style="list-style-type: none"> ➤ Magnesium, plastic ➤ Magnesium, plastic
Hardware	<ul style="list-style-type: none"> ➤ Bathroom and kitchen fittings ➤ Door handles & locks ➤ Furniture fittings 	<ul style="list-style-type: none"> ➤ Zinc ➤ Zinc ➤ Zinc

SLIDE NO. 5



SLIDE 5

AM-lite has been specifically developed to satisfy demand for a light weight diecastable alloy that is highly suitable for decorative surface finishing applications – particularly chrome plated applications.

The key technical attributes of AM-lite are its light weight, metallic feel, excellent diecastability, resistance to burning and its excellent as-cast surface making it highly suitable for painting and electroplating.

The main commercial driving force for sales of AM-lite is the potential for significant cost savings for manufacturers using AM-lite to replace other materials.

In the case of zinc replacement, there is a 67% weight saving, which at current zinc prices results in a 70-75% saving in metal costs and a 30% saving in diecasting costs. In total this results in a 40-50% cost saving per diecast part.

In the case of the replacement of the existing magnesium alloy AZ91D, although the AM-lite alloy is more expensive than AZ91, the cost of diecasting is 20-30% cheaper and the cost of surface finishing is 50-75% cheaper. The reduction in rejects of finished parts in the mobile phone and laptop computer industry is also very significant with AM-lite, resulting in further cost savings.

In the case of aluminum, AM-lite is lighter than aluminum resulting in a 25% weight saving; it can be cast thinner than aluminum and is suitable for more intricate parts; the cost of diecasting is 10-15% cheaper; and the cost of electroplating is significantly cheaper.

Comparison with plastic is a little more difficult because there are so many different types of plastics ranging in price from cheaper to considerably more expensive than AM-lite. Where customers are looking for thinner and lighter products such as mobile phones or laptop computers, AM-lite does a much better job, or where customers are looking for an electroplated finish with a metallic “feel” such as in high end cars, AM-lite is significantly cheaper and is cold to touch.

You can read more about these benefits in our Technical Information Sheets or on our website at www.am-technologies.com.au.

Estimated Market Potential for AM-lite

(tonnes)

OEM Target Markets



Automotive



Motorcycle



Consumer Electronics



Hardware

2006	2007	2008	2009	2010
	1,900	7,600	15,000	30,000
	1,250	3,000	7,000	12,000
	2,000	8,000	15,000	20,000
500	4,600	8,000	13,000	20,000

Note: This is not a forecast of AMT's future sales

SLIDE NO. 6



SLIDE 6

Although the potential demand for AM-lite in the automotive sector is the largest, the adoption and validation of new materials in the automotive sector is the most challenging and also takes the longest. In this sector AM-lite will mainly target replacement of electroplated plastic.

Whilst the motorcycle industry has similar concerns about new materials as the automotive industry, the important current design goals for motorcycles in the over 1255cc category are to make them lighter, faster and sharper in appearance. AM-lite is well suited to meet each of these attributes, and importantly, the lead time for new applications in motorcycles is typically shorter than for automobiles. In this sector, AM-lite will mainly target replacement of electroplated zinc and aluminum.

Customers are looking for thinner and lighter mobile phones and laptop computers with longer battery life and protection from electro magnetic radiation. As a result more and more plastic casings are being replaced with magnesium. Magnesium's penetration of the mobile phone market is currently only about 15% and that of the laptop computer sector is about 40%. AM-lite can be cast thinner, has fewer rejects, can be electroplated and is cheaper than the existing magnesium alloy AZ91D used for these applications.

When AM-lite was launched in mid 2005, zinc prices were around US\$1300 per tonne, and even at that time, electroplated AM-lite components were competitive with the same components made in zinc. Today zinc prices have broken the US\$4000/per tonne barrier and experts are predicting zinc prices could even exceed US\$5000 per tonne. The reason for this price surge is due to the significant increase in zinc demand for galvanised coating of steel, largely coming from China. As a result, supply of zinc alloys for diecasting has become very tight and prices have risen. This has resulted in a significant interest in AM-lite to replace zinc from manufacturers of zinc based products such as electroplated hardware, furniture, kitchen and bathroom fittings.

Operational Review AM-lite® - FY 2005/06

Establishing global recognition and brand awareness

- ***>150 presentations to customers in Europe, USA and Asia - diecasters and OEMs.***
- ***39 on-site die casting trials in FY 2006.***
- ***Global production and logistics arrangements in place***
- ***Agency arrangements for Japan, Korea, Taiwan and China.***
- ***Technical/sales team additions in USA, Asia and Europe.***
- ***Formation of development alliances with 9 key customers (3 in each of China, Europe and North America).***

SLIDE NO. 7



SLIDE 7

At the beginning of the financial year 2005/06, the first step for what was for all practical purposes a newly formed company, was to establish global recognition and brand awareness of both Advanced Magnesium and its portfolio of products, especially AM-lite.

The future of Advanced Magnesium remains critically dependent on the continuing successful introduction and growth in sales of AM-lite.

With that objective in mind, we set out in July 2005 to make detailed technical presentations to 60 targeted diecasting customers, with the aim of stimulating sufficient interest in at least 40 of those companies to conduct 2-3 day in-plant trials of AM-lite to satisfy themselves that AM-lite works which would then lead to development alliances to create new applications for AM-lite which would use at least 500 tpa.

By the end of the year we had made over 150 presentations, not only to the original 60 targeted customers, but also to their customers (major OEMs). In many cases it was important for our targeted customers to have the full knowledge and support of their customers, before they would commit to the significant cost and disruption to their operations caused by in-plant trials of a new material.

Despite this, interest in AM-lite was so significant that we completed 39 on-site die casting trials by the end of the financial year and since that time we have conducted a further 8 trials. The fact that we still have quite a number of diecasters wanting to trial, and are continuing to receive unsolicited enquiries, leads us to conclude that we have successfully achieved our initial objective of establishing global recognition and brand awareness.

Accordingly, since mid year, we have now moved into the next phase of our business plan which focuses on generating high volume commercial applications for AM-lite to meet our target of 5000 tpa sales contracts by the end of this financial year.

Current Phase – Focused Development Alliances in Key Market Sectors



SLIDE NO. 8



SLIDE 8

A wide variety of trials have been conducted to date, providing a wealth of experience about the way in which AM-lite performs in different applications. It is this know-how and the experience of our technical team which has become important in achieving success with AM-lite.

AM-lite is a new alloy and behaves quite differently to existing magnesium alloys.

We have had a few instances, when customers have been too impatient to wait for our engineers to arrive at their plant, or where the customer felt that they didn't need our help. In each case, the initial trials with AM-lite failed.

These outcomes are actually quite reassuring, because they highlight the difficulty of companies trying to use our intellectual property without the benefit of our know-how. This creates a significant barrier to entry for unauthorised users.

In order to convert an existing product made from a different material into AM-lite, a whole range of small scale effects have to be addressed before that product is ready for commercial release. Many of these relate to surface finishing and the interface between diecasting and electroplating. This requires a total systems approach and relies on good cooperation between diecaster, electroplater and OEM, and the benefit of our accumulated technical know-how, and at times, the very sophisticated analytical capabilities of our research providers at CAST. To facilitate this, the Company is forming a limited number of cooperative alliances with its customers to focus on bringing a range of new AM-lite products to market in key market sectors.

Typical Product Development Program

- Initial training on AM-lite
- Convert Zn diecasting equipment to Mg
- Repeated trials to optimise:
 - Diecasting conditions/machine settings
 - Die design
 - Surface finishing
- Mechanical and corrosion testing
- Catalogue defect types/establish acceptance criteria
- Gain OEM approval/release for commercial production

ELAPSED TIME 4-6 MONTHS FOR NON-AUTOMOTIVE PARTS

SLIDE NO. 9



SLIDE 9

These cooperative development programs require considerable effort by all involved. Accordingly the Company is winding back its promotional and in-plant trialling activities for the time being and is focusing all its technical resources on supporting 9 key customers to finalise a number of strategic product development programs. These involve our technical staff spending weeks at a time working side-by-side with our customers in various parts of the world, with each program expected to last up to 4-6 months. These 9 customers have been selected because of their technical ability, shared commitment and enthusiasm, and because they are specialists in each of the key market sectors.

Included in these 9 development alliances are agreements with one of the world's largest electronics manufacturers, one of the world's largest bathroom and kitchen hardware manufacturers and the largest non-automotive magnesium diecaster in the United States.

As consideration for the Company providing this support, our customers have agreed to purchase AM-lite once commercial production of these products has been launched. The largest of these alliances to date, is an agreement to purchase 4000 tonnes AM-lite in calendar year 2007 and a further 6000 tonnes in calendar year 2008. These tonnages go a substantial way towards achieving the Company's objectives of achieving contracts for 5000 tpa by the end of this financial year, and reaching breakeven sales of approximately 12,000 tpa by the end of next financial year.

Since initiating this program of selective development alliances, the Company has received a number of unsolicited approaches from other companies also wishing to participate. The Company does not have the technical resources to handle more than 9 alliances at a time. Therefore it is the Company's intention to progressively form new development alliances as existing programs are completed.

Summary Results – 30 June 2006

Key Financials

- net cash - \$12.1 m
- Annual cash outflow 2005/06 - \$7.8 m
- total debt - \$0
- revenue - \$0.363m
- net loss – cont. ops. (\$4.842m)

Commercial Objectives

- introduction and promotional phase – complete (over 150 companies)
- trialling and due diligence phase – complete (over 40 companies)
- establish development alliances for 500 tpa – complete
- detailed commercial development phase – initiated (9 key customers)

SLIDE NO. 10



SLIDE 10

During the financial year just ended, Advanced Magnesium has made significant progress in its quest to establish itself as a leading developer and marketer of new magnesium technologies.

On the Corporate side, the Company has:

- Eliminated all residual debt and other remaining liabilities from the old AMC days.
- Introduced the new company to 23 institutions and high net worth individuals and successfully raised \$13 million in new capital.
- Created a new image in the international market that generates over 80,000 hits per month on our website and results in continuing unsolicited enquiries for our products.
- Written a detailed enterprise plan including corporate governance policies and risk management guidelines; and
- Established a highly motivated international team of technical experts.

On the operational side, the company has concentrated on the commercialisation of its new alloy AM-lite and has:

- made over 150 detailed technical presentations to diecasters and OEMs in Europe, North America and Asia.
- completed 39 on-site die casting trials.
- concluded manufacturing agreements with alloy producers in China, Japan and Europe.
- concluded international logistics and warehousing arrangements for sales to customers.
- concluded agency agreements for representation in Japan, Korea, Taiwan and China.
- concluded development alliances for annual sales of 500 tpa.
- established electroplating capacity in each key region; and
- on a separate front the Company has formed a new business in joint venture with Hyder Consulting to generate carbon credits in the emerging environmental market to reduce greenhouse gas emissions.

Forecast AM-lite® Sales Tonnages

Base case estimates for '07 and '08

- ***Annualised 5,000 tpa by 30 June 2007.***
- ***Breakeven sales (approx 12,000 tpa) by 30 June 2008.***

SLIDE NO. 11



Slide 11

Since the end of the financial year, the Company has focused its energy on supporting 9 key targetted customers to bring a range of new AM-lite products to market and to achieve annualised sales of around 5000 tpa by the end of June, 2007.

In September it announced a milestone agreement with one of these customers to purchase 10,000 tonnes of AM-lite over the next two years. These sales are subject to the outcome of a joint development program now underway at the customers new development centre. Results are currently not expected until the third quarter.

Development alliances have also been signed and are progressing well with:

- One of China's leading manufacturers of electronic goods;
- Existing customers in Europe; and
- With the largest non-automotive diecaster in North America.

The Company also completed a further 8 on-site diecasting trials during this period.

During the remainder of this year, the Company plans to:

- Continue supporting the initial 9 key customers, and as these programs are completed, enter into new development alliances with the next batch of customers who are already waiting to participate;
- Continue to support a limited number of new potential customers wishing to trial AM-lite;
- Continue to support the large number of diecasters who have trialled AM-lite and wish to bring new AM-lite products to market;
- Work with MacDermid to establish additional commercial electroplating and conversion coating (pre-paint) facilities in each major region;
- Pursue carbon credit project opportunities with Hyder Consulting;
- Continue to develop powertrain applications for AM-HP2; and
- Minimise overheads and activities in other areas until ongoing sales of AM-lite are well established.

In summary, having achieved our objectives for the year just ended, we look forward to having another successful year in 2007.

Thank you. I now pass you back to the Chairman.