



15 September 2006

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

Dear Sirs,

**RE: ADVANCED MAGNESIUM SIGNS MILESTONE AGREEMENT WITH LEADING
CHINESE MANUFACTURER**

Please find attached, announcement on the Company signing milestone agreement with major Chinese manufacturer.

Yours sincerely,

A handwritten signature in black ink, appearing to read "P.K. Nair". The signature is fluid and cursive, with a large initial "P" and a long, sweeping underline.

P.K. Nair
COMPANY SECRETARY



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ASX ANNOUNCEMENT - 15 September 2006

Advanced Magnesium Signs Milestone Agreement with Leading Chinese Manufacturer

Advanced Magnesium Limited's wholly owned subsidiary AMT, has signed a milestone agreement with one of China's largest and most successful diecasters to jointly develop electroplated diecast sanitary ware and domestic hardware products made from the Company's proprietary magnesium alloy AM-lite®.

AMT's new customer has agreed to purchase 10,000 tonnes of the Company's proprietary alloy, AM-lite® over the next two years, subject to the satisfactory conclusion of a development program by the end of this calendar year.

This company is one of the largest diecasters in its field in the world. The company manufactures products for many high quality European and American brands and has experienced significant growth in Western markets over recent years.

During the next four months, AMT and this company will work together on a detailed technical development and training program to enable the company to apply AMT's technology to the manufacture of a number of existing products.

At the satisfactory conclusion of this development program, the company intends to purchase 4,000 tonnes of AM-lite® during calendar year 2007, increasing to a cumulative 10,000 tonnes by the end of calendar year 2008.

AMT is forming similar development alliances with 8 other selected customers in China, Europe and the USA. These include a development alliance recently signed with one of China's leading manufacturers of electronic goods as well as new development alliances with two existing customers Polmag and Walmec in Europe. These alliances focus on products in industry sectors of importance for AM-lite® which include hardware, sanitary ware, electronics, motorcycles and automotive.

The superior diecasting and surface finishing potential of AM-lite®, combined with AMT's extensive technical support, enable its customers to realise the significant cost saving potential of AM-lite® when substituted for zinc, aluminium, magnesium AZ91 and plastics in many existing applications. AM-lite® can be more readily cast into thinner components than other existing materials, and it is the first magnesium alloy that is suitable for electroplating in mass production at comparable costs to zinc.

For further information please refer to the AMT website at www.am-technologies.com.au