

6 December, 2002

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

Dear Sirs,

RE **ANNOUNCEMENT**

Please find attached an Announcement in relation to:

Shareholder Newsletter dispatched 6 December 2002

Yours sincerely,



P.K. Nair
COMPANY SECRETARY

Magnesium patented engine alloy to lightweight cars

A major breakthrough in engine alloy research has been achieved by Australian Magnesium Corporation Limited (AMC) and its partners with the unveiling of a new patented alloy for use in the manufacture of lightweight engines.

The specialty magnesium alloy, developed in Australia, was showcased in a prototype 3-cylinder engine in a Volkswagen Lupo at a trade exhibition at one of the world's foremost engine development conferences in Aachen, Germany.

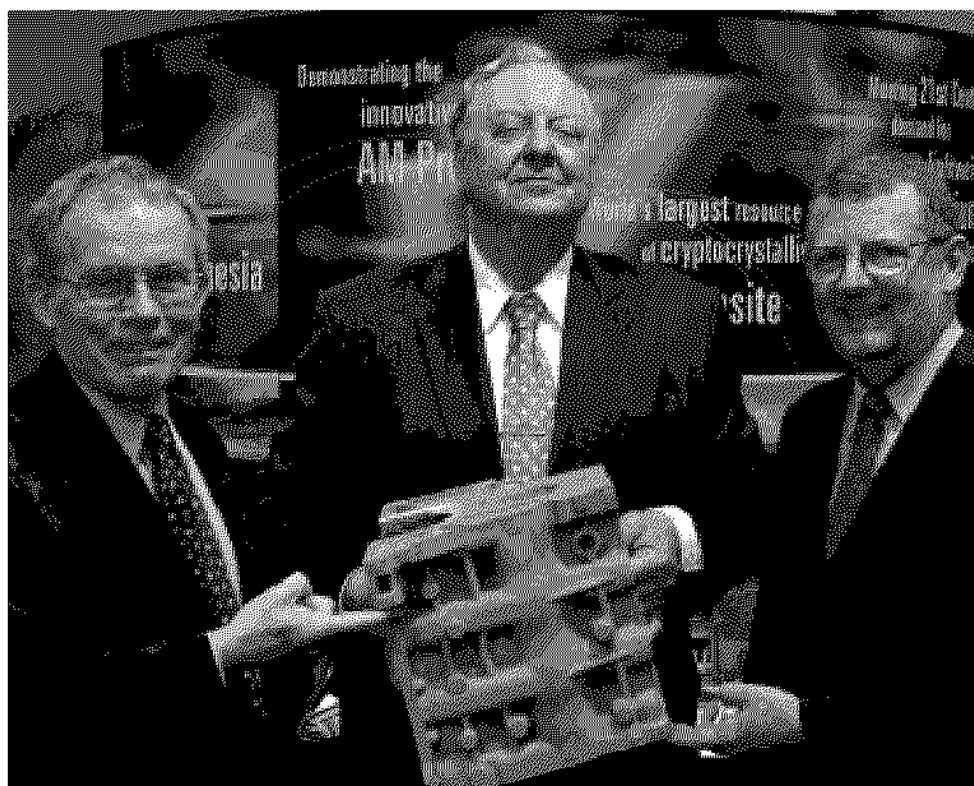
The 14kg engine weighs 25 per cent less than the comparative aluminium block currently in commercial use.

AMC Chief Executive Rod Sharp said AMC believed magnesium engine blocks would be viewed as an increasingly cost-competitive commercial opportunity by carmakers looking to continue the trend of reducing vehicle weight to improve fuel economy, performance and safety, and as a consequence, reduce vehicle emissions.

Current magnesium use averages approximately 4kgs per car - a total of some 170,000 tonnes per annum. In a world market where more than 50 million cars are produced each year, commercial adoption of a magnesium engine would add substantially to magnesium demand.

With patents in place, AMC holds exclusive rights to the high temperature alloy developed as part of a four year R&D programme in conjunction with its alliance partner, the Cooperative Research Centre for Cast Metals Manufacturing (CAST).

The engine block was designed by AVL - one of Europe's largest engine design companies - to accommodate the high pressures and temperatures of modern engines and to utilise the mechanical and acoustic advantages magnesium can provide in minimising noise, vibration and harshness (NVH).



AMC Chairman Roland Williams (centre) with AMC's Malcolm Frost (left) and CAST CEO David St John (right)

The new alloy, AMC-SC1, has been developed specifically for the production of engine blocks in sand cast moulds.

With the testing now complete, AMC will look to commercial applications and customers. Commercial adoption is targeted to coincide with the peak production profile of the Starwell Magnesium Project after 2005-06.

Mr Sharp said the successful research and development programme highlighted AMC's commitment to the magnesium industry and reinforced the world-class credentials and capabilities of Australia's light metals industry.



Major European Component Maker Signs with Australian Magnesium

Major European component manufacturer Wagon Plc and Australian Magnesium Corporation Limited will develop magnesium automotive applications under a new alliance.

Under the Wagon agreement, AMC will provide magnesium technical and design support to assist with the development of large automotive structural components.

Wagon supplies components to more than 10 million cars per year across 100 different car models and is a leading European Tier 1 designer and supplier of lightweight automotive body structures. Wagon has a turnover in excess of £500 million per annum.

With manufacturing facilities across Europe, Wagon's major customers include Volvo, Volkswagen, Toyota, Renault, Peugeot, Opel, Mercedes, Land Rover, Jaguar, Fiat, BMW and Audi.

Wagon has traditionally been a manufacturer of steel-based body structures and in recent years has pursued a growth strategy of lightweight structures. Its product range includes body, door, window, tailgate, bumper and space frame systems.

AMC believes the combination of Wagon's existing relationships with the European automotive industry and AMC's magnesium expertise together with its world class research capabilities make this a particularly strong alliance.

The new agreement reinforces AMC's commitment to support the growth of the magnesium market through the development of new applications.

It is consistent with AMC's long term marketing and sales approach to build its forward order book by working directly with automotive groups to harness the opportunities for magnesium.

Australian Magnesium Signs 3-year 15,000 tonne Contract

Australian Magnesium Corporation Limited has signed a 3-year, 15,000 tonne sales contract to supply pure magnesium to a major European metals group.

The contract with a key participant in the European metal market will commence in calendar year 2005 during the ramp-up of the Stanwell magnesium plant.

The contract confirms the strong demand for AMC's magnesium notwithstanding AMC is still in the construction phase of the Stanwell Magnesium Project.

With the expected take-up of 5,000 tpa and AMC's existing supply relationship with the Ford Motor Company for 45,000 tpa of magnesium alloy, AMC now has contracts in place for 50,000 tpa from the 97,000 tpa Stanwell plant.

The contract for pure magnesium reflects the metal group's desire to diversify its supply base. At the request of the customer and for reasons of commercial confidentiality the metals group cannot be identified at this time.

Chinese Strategy Formed with Lee Kee Group

Australian Magnesium Corporation Limited (AMC) has formed a strategic alliance with leading Hong Kong-based non-ferrous metal trading and manufacturing company, Lee Kee Group Ltd to develop partnership opportunities within China to grow magnesium demand.

Lee Kee, which has over 55 years of experience, is a leading trading house of non-ferrous metals in both the Hong Kong and Chinese markets. It carries a wide range of metals including zinc, aluminium, tin, copper and their alloys, nickel, stainless steel and magnesium.

Lee Kee has over 100 staff in both Hong Kong and China focused on market development and technical support services. Under the Memorandum of Understanding the two companies will initially focus on supporting China's fledging magnesium automotive die-casting industry.

Lee Kee will assist AMC in developing a market for its products in China by:

- Identifying die-casters with which to form technical and commercial relationships;
- Providing sales support through its existing warehousing and distribution facilities;
- Developing a magnesium alloy scrap recycling service.

AMC will in turn provide:

- High quality die casting alloys capable of meeting stringent international requirements;
- Specialist technical advice to Lee Kee and customers;
- Access to its global network.

Chief Executive Officer, Rod Sharp said China presented both a challenge, due to its existing magnesium production, and an opportunity, due to its regional proximity and rapidly growing automotive industry.

"Our approach to China and Asia is consistent with our approach to growing magnesium demand in Europe and North America, through the provision of base-load supply, specialty alloys, technical assistance and R&D support," Mr Sharp said.

"AMC is well placed to support the die-casting industry in China and Asia through our research and development resources and ability to provide specialist advice.

Working with Lee Kee which has extensive knowledge in China and in the field of non-ferrous metals, AMC will look to export its magnesium alloys bundled with die-casting services and expertise.

Once the Stanwell Magnesium Project is completed AMC will be the world's largest magnesium producer and China has the potential to become the world's largest market, so it is prudent to consider how the potential synergies of each could give rise to trade opportunities.

"AMC is looking at other opportunities in Asia to develop marketing and sales relationships, including Japan, Korea and Taiwan in particular. The work we do in supporting the diecasting industry will be of assistance to AMC in the long term through the progressive forming of relationships, contracts and demand generation" Mr Sharp said.



\$6m Alliance with R&D World Leader

Australian Magnesium Corporation Limited (AMC) has signed a new \$6 million alliance with one of the world's leading specialists in automotive and metals casting research.

The three-year agreement further strengthens AMC's ability to deliver global technical and support services for its automotive customers and clients. The R&D alliance – with the world-recognised Cooperative Research Centre for Cast Metals Manufacturing (CAST) – continues AMC's decade-long association with the centre to enhance the capabilities of Australia's lightmetals and die-casting industries.

AMC's sales and marketing strategy is based upon providing consistent-quality, base-load supply of magnesium to our customers and aiding their utilisation of our metal through design and technical services.

AMC's goal is to support the magnesium industry's growth through the provision of 'knowledge-based solutions' to make best use of magnesium's special attributes.

AMC is a founding member of CAST, formed as a Cooperative Research Centre with the support of the Commonwealth, Queensland and Victorian governments. More than 100 engineers and scientists work within CAST on a variety of magnesium, aluminium and die-casting projects in Brisbane, Geelong and Melbourne. Specialist research parties include CSIRO's Manufacturing and Infrastructure Technology division, Queensland Manufacturing Institute, Deakin University, Monash University, Swinburne University of Technology's Industrial Research Institute (IRIS) and the University of Queensland.

The new alliance will help ensure Australian researchers remain at the forefront of developments in the light metals industry.



Malcolm Frost Recognised for Science

Australian Magnesium's General Manager of Technology and Environment, Dr Malcolm Frost has been granted a Fellow of the Academy of Technological Sciences and Engineering.

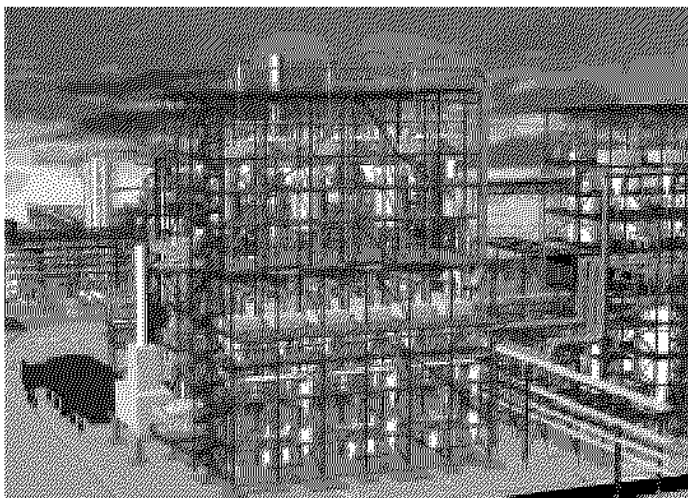
Dr Frost is regarded as one of the fathers of the AMC/CSIRO-inspired "AM Process" for making magnesium, and led the CSIRO research on the process during 1992-1996 before joining AMC. He was previously awarded a 2002 CSIRO Medal for Scientific Achievement with the AMC/CSIRO colleagues for their development of the innovative technology. Dr Frost leads AMC's research and development activities and alliances, with organizations such as CAST and the CSIRO, on new magnesium alloy and casting techniques and production enhancements to the AM Process.

Stanwell Plant Set In Concrete

Following six months of earthworks and site preparation, activities at the Stanwell Magnesium Project are now making way for concrete and mechanical construction. Concrete pours for the footings and base of the Stanwell foundry began in late November.

The foundry is where magnesium will be alloyed and cast into ingots. It is one of the first areas of the plant to be constructed to allow for operator training and pre-qualification of AMC's ingot production and logistics procedures some 9-12 months before the Stanwell plant comes on line in the December quarter of 2004.

The foundry adjoins the cell hall, where 40 Alcan Ex2 electrolytic cells will produce 90,000 tonnes per annum of pure magnesium, which will be sent to the foundry for alloying with aluminium and other elements to make 97,000 tonnes of alloys and pure magnesium for sale.



Stanwell Magnesium Plant - Dehydration Area

AMC's Gladstone demonstration plant has previously cast more than 500 tonnes of magnesium providing experience to operators who will form the basis of the foundry crew at Stanwell. This material will be used in pre-commissioning and training procedures.

As at November, 100 contractors were on site. This is expected to move to 400 by April 2003 and approximately 900 contractors on site by August 2003 as activity accelerates with construction of the cell hall and chemical dehydration parts of the plant.



First concrete is poured for the Foundry at the Stanwell Magnesium Plant

In preparation for construction, the project team has priced or awarded almost 80 per cent of capital equipment, including long-lead items such as centrifuges, calciners, compressors, heat exchangers, furnaces and glass lined columns.

Project Fast Facts

Earthworks:	1.1 million cubic metres
Concrete:	45,000 cubic metres
Structural Steel:	7,600 tonnes
Mechanical Equipment:	3,200 items
Process Piping:	185 kilometres
Electrical Cable:	568 kilometres
Instrument Cables:	540 kilometres
Instruments:	11,600 items

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