

17 December, 2002

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

Dear Sirs,

**RE LETTER TO SECURITY HOLDER**

Please find attached a letter to Distribution Entitled Security Holders dispatched today providing an update.

Yours sincerely,



P.K. Nair  
**COMPANY SECRETARY**

17 December 2002

Dear Security Holder,

You may have recently read in the press that AMC's principal shareholder, Newmont Australia, will commit \$100 million in January by subscribing for new shares at \$0.60 per share, increasing their holding to almost 30 per cent.

This significant investment, along with payment of the final instalment on the Distribution Entitled Securities in January, will provide AMC with almost \$300 million as foreshadowed in the October 2001 prospectus to apply to the development of our Stanwell plant, which is currently under construction.

AMC is now well on the way to a leadership position in the magnesium industry, underpinned by our technology, which will deliver operating costs amongst the lowest in the world, and backed by our alliances and service relationships to the automotive industry. At the conclusion of an important year in the development of our company I thought I would take the opportunity to highlight a few of AMC's achievements to date:

- 1992-97 – Development of the AMC and CSIRO magnesium 'AM process'
- 1997 – 45,000 tonnes per annum Ford sales agreement
- 1998-2001 – Demonstration of the AM process at Gladstone on a semi-industrial scale
- 2001 – Finalisation of \$1.8 billion in finance for the Stanwell Magnesium Project
- 2002 – Commencement of construction at Stanwell and appointment of Leighton Contractors
- 2002 – Expansion of AMC's magnesium sales and marketing team
- 2002 – A new sales contract signed, and alliances formed with automotive component maker, Wagon
- 2002 – New R&D alliance signed with CAST and CSIRO, and a China strategy formed.

Milestones to be achieved over the next 2 years include:

- First metal from the Stanwell plant – which is on schedule for late 2004
- Additional sales contracts and alliances – to occur progressively during 2003 and 2004

The expansion of our sales and marketing team in the past year has resulted in AMC now working with seven major car companies on more than 30 components. A number of important development programmes AMC has been working on since 1999 will be announced through 2003 and 2004.

In spite of what has been achieved to date, it goes without saying your Board and management are extremely disappointed with the share market's response to this progress.

Australian shareholders have long asked companies to take a long term view. As Australians we have watched year after year resources being despatched overseas without significant value adding and heard continuing calls for Australia to embrace innovation. These are views shared by AMC.

AMC is committed to achieving its remaining milestones so as to provide light weight solutions to the automotive industry and in so doing add value to our shareholders and to Australia.

With the holiday season approaching, I would urge you to review your personal arrangements with the DES instalment in advance of the scheduled payment on 31 January 2003, and if you have any questions contact AMC's share registrars, **Douglas Heck & Burrell** on (07) 3228 4219.

Our best wishes for 2003, a year which will also see us closer to realising our vision of a new light metals industry for Australia.

Yours sincerely,



**Rod W Sharp**  
Chief Executive Officer