

7 February, 2003

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

Dear Sirs,

RE **RELEASE OF HALF YEARLY REPORT**

Please find attached an Announcement in relation to:

Appendix 4B and accompanying reports

Yours sincerely,



P.K. Nair
COMPANY SECRETARY

DIRECTORS' REPORT

Your Directors present their report on the Company and the entities it controlled during the six months ended 31 December 2002.

Directors

The following persons were Directors of the Company during the six month period and up to the date of this report:

Dr JR Williams	(Chairman)
Mr RW Sharp	(Chief Executive Officer)
Mr FT Brown	
Mr JAS Dow	
Mr IR Freer	
Mr FCH O'Connor	
Dr CD Rawlings [†]	
Mr JD Story	
Mr HE Umlauff	
Mr KG Williams	

[†] appointed 3 October 2002

Results of Operations

The consolidated loss for the six months was \$8.638 million (2001: \$3.126 million loss).

The increase in loss is substantially due to deterioration of margins in the QMAG magnesia business. Refer to comments on sales and prices in the section "Magnesia Operations" below. The unit cost of production increased, largely due to reduced yields at Kunwarara. Borrowing costs nearly doubled following the restructure of the QMAG hedge book in November 2001.

Corporate costs increased considerably as a result of building corporate functionality (eg CEO, finance & treasury, systems planning, people strategy, public affairs/investor relations) in preparation for magnesium operations at Stanwell.

Corporate

The revenue and interest hedging program required by the providers of senior debt to the Stanwell Magnesium Project (SMP) for Australian Magnesium Operations Pty Ltd (AMO) was implemented on 11 September 2002. The foreign currency capital expenditure program was implemented on 8 November 2002.

On 3 October 2002, Dr Christopher Rawlings was appointed as a Director of the Company to further enhance the breadth of experience of the Board.

The second distribution of 3.2 cents per Distribution Entitled Security (DES) was paid on 25 November 2002. DES holders reinvested \$4.4 million of the \$21.1 million distributed.

On 10 December 2002, the Company issued Newmont with a notice calling for \$100 million equity subscription, as outlined in the 2001 prospectus. The subscription was paid and shares issued as scheduled on 3 January 2003.

By 5 February 2003, a total of \$188.165 million had been received for the final instalment on the partly-paid ordinary shares issued pursuant to the October 2001 prospectus. Of this total, \$8.696 million had been received by 31 December 2002 and has been disclosed as a current liability.

On 17 December 2002, AMO received \$17.2 million from CSIRO, being the second and final tranche under the \$50 million CSIRO Research Agreement. This is a collaboration whereby AMO will carry out a research program for the development of operational and safety systems in the use of technology developed in an earlier collaboration.

As at 31 December 2002, negotiations with ANZ for the \$100 million Federal Government Guaranteed Facility for SMP were almost complete and syndication of the senior debt for SMP was well advanced.

Magnesia Operations (QMAG)

Activity at Kunwarara focused on exploration and capital development programmes. Extensive drilling took place on the Oldman South area of the deposit to prove up reserves for the Stanwell Magnesium Project. Slimhole and Calweld drilling was completed during the period and final processing of samples will be completed in early 2003. Indications are that this work will result in significant additions to Proved Reserves. The processing plant at KG2 was purchased from Roche and QMAG took over the operation of the plant. Test work on air pulsed gravity separation was completed and a commercial scale jig was shipped out from South Africa and will be installed in first half 2003.

Production levels at Parkhurst remained at above rated full capacity levels and work commenced on a plant optimisation capital programme. This work will be completed early in 2003. Despite a major planned maintenance shutdown during the period, production was up 5% on the previous six months.

Sales levels remained at strong levels and matched production. Sales of some grades were limited by constraints on production and low levels of stocks. Prices for electrofused magnesia fell as a result of competitive pressures from China eroding the premium QMAG receives for its electrofused products. Prices for deadburned magnesia were stable, while some increases were obtained for calcined magnesia as customers came off contract.

AUSTRALIAN MAGNESIUM CORPORATION LTD AND CONTROLLED ENTITIES
ACN 010 441 666

Stanwell Magnesium Project

AMC invested \$147.722 million in the Stanwell Magnesium Project during the half-year.

No lost time injuries have been recorded on project engineering and construction activities encompassing 723,264 hours of work to date.

Overall project progress as at 31 December 2002 was 15.7 per cent complete based on engineering (48.9 per cent), procurement (29.3 per cent) and site contraction (1.8 per cent).

In total, over 750 project, engineering, construction and pre-operations staff are directly engaged on the Project, with hundreds of others in various vendor and supplier organisations.

A comprehensive engineering, procurement and construction (EPC) agreement was signed with Leighton, the principal contractor, in August 2002. During Phase 1 of the contract, Leighton will undertake work on a reimbursable basis. Phase 2 will commence following conversion to a lump sum contract scheduled for mid-2003.

Site earthworks commenced in June 2002 and are well advanced, with 100 per cent of bulk earthworks and over 50 per cent of detailed earthworks completed.

In the cast house (Area 50), concrete pours and piling has commenced, with piling 37 per cent complete. Commissioning of this area is scheduled for early 2004.

During October 2002, AMC issued letters of intent to the value of \$110 million for lump sum turn key contracts relating to the development of a hydrochloric acid unit, chlor-alkali plant and plant wide control systems.

Other

In accordance with the terms of Flamemag Joint Venture Restructure, QMC (Flamemag) Pty Ltd has transferred all its shares in Flamemag International GIE to Compagnie Internationale de Developpement Minier and Flamemag International GIE has transferred all the Flamemag Patents and Patent Applications to QMC (Flamemag) Pty Ltd in the six months ended 31 December 2002. The Flamemag Australia Joint Venture has been terminated.

During the half, the Company sold its Rannes and Ropewalk tenements and relinquished the Develin Creek tenement.

Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' reports and financial report (in the form of the ASX Listing Rules Appendix 4B) have been rounded off to the nearest thousand dollars in accordance with that Class Order, except where indicated otherwise.

Signed at Brisbane this seventh day of February 2003 in accordance with a resolution of the Directors.



ROD SHARP
Chief Executive Officer



ROLAND WILLIAMS
Chairman

Appendix 4B

Half yearly/preliminary final report

Introduced 30/6/2002.

Name of entity

AUSTRALIAN MAGNESIUM CORPORATION LIMITED

ABN or equivalent company reference

51 010 441 666

Half yearly (tick)



Preliminary final (tick)



Half year/financial year ended ('current period')

31 DECEMBER 2002

For announcement to the market

Extracts from this report for announcement to the market (see note 1).

\$A'000

Revenues from ordinary activities (<i>item 1.1</i>)	Down	6%	to	36,814
Profit (loss) from ordinary activities after tax attributable to members (<i>item 1.22</i>)	Down	176%	to	(8,638)
Profit (loss) from extraordinary items after tax attributable to members (<i>item 2.5(d)</i>)	Gain (loss) of			NIL
Net profit (loss) for the period attributable to members (<i>item 1.11</i>)	Down	176%	to	(8,638)
Dividends (distributions)		Amount per security		Franked amount per security
Final dividend (Preliminary final report only – <i>item 15.4</i>) Interim dividend (<i>Half yearly report only</i> – <i>item 15.6</i>)		NIL ¢		NIL ¢
Previous corresponding period (Preliminary final report – <i>item 15.5</i> ; <i>half yearly report</i> – <i>item 15.7</i>)		NIL ¢		NIL ¢
*Record date for determining entitlements to the dividend, (in the case of a trust, distribution) (<i>see item 15.2</i>)		N/A		
Brief explanation of any of the figures reported above (see Note 1) and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				
N/A				

If this is a half yearly report it is to be read in conjunction with the most recent annual financial report.

+ See chapter 19 for defined terms.

Condensed consolidated statement of financial performance

	Current period - \$A'000	Previous corresponding period - \$A'000
1.1 Revenues from ordinary activities (see items 1.23 -1.25)	36,814	39,218
1.2 Expenses from ordinary activities (see items 1.26 & 1.27) excluding borrowing costs	(42,194)	(40,565)
1.3 Borrowing costs	(3,258)	(1,779)
1.4 Share of net profits (losses) of associates and joint venture entities (see item 16.7)	-	-
1.5 Profit (loss) from ordinary activities before tax	(8,638)	(3,126)
1.6 Income tax on ordinary activities (see note 4)	-	-
1.7 Profit (loss) from ordinary activities after tax	(8,638)	(3,126)
1.8 Profit (loss) from extraordinary items after tax (see item 2.5)	-	-
1.9 Net profit (loss)	(8,638)	(3,126)
1.10 Net profit (loss) attributable to outside +equity interests	-	-
1.11 Net profit (loss) for the period attributable to members	(8,638)	(3,126)
Non-owner transaction changes in equity		
1.12 Increase (decrease) in revaluation reserves	-	-
1.13 Net exchange differences recognised in equity	-	-
1.14 Other revenue, expense and initial adjustments recognised directly in equity:	-	-
1.15 Initial adjustments from UIG transitional provisions	-	-
1.16 Total transactions and adjustments recognised directly in equity (items 1.12 to 1.15)	-	-
1.17 Total changes in equity not resulting from transactions with owners as owners	(8,638)	(3,126)
Earnings per security (EPS)		
	Current period	Previous corresponding Period
1.18 Basic EPS (cents per share)	(1.67)	(1.62)
1.19 Diluted EPS	N/A	N/A

+ See chapter 19 for defined terms.

Notes to the condensed consolidated statement of financial performance
Profit (loss) from ordinary activities attributable to members

	Current period - \$A'000	Previous corresponding period - \$A'000
1.20 Profit (loss) from ordinary activities after tax (<i>item 1.7</i>)	(8,638)	(3,126)
1.21 Less (plus) outside ⁺ equity interests	-	-
1.22 Profit (loss) from ordinary activities after tax, attributable to members	(8,638)	(3,126)

Revenue and expenses from ordinary activities

(see note 15)

	Current period - \$A'000	Previous corresponding period - \$A'000
1.23 Revenue from sales or services	}	}
1.24 Interest revenue	} Refer	} Refer
1.25 Other relevant revenue	} Attachment	} Attachment
1.26 Details of relevant expenses	}	}
1.27 Depreciation and amortisation excluding amortisation of intangibles (<i>see item 2.3</i>)	}	}
Capitalised outlays		
1.28 Interest costs capitalised in asset values	3,418	2,888
1.29 Outlays capitalised in intangibles (unless arising from an ⁺ acquisition of a business)	-	-

Consolidated retained profits

	Current period - \$A'000	Previous corresponding period - \$A'000
1.30 Retained profits (accumulated losses) at the beginning of the financial period	(148,819)	(133,925)
1.31 Net profit (loss) attributable to members (<i>item 1.11</i>)	(8,638)	(3,126)
1.32 Net transfers from (to) reserves (<i>details if material</i>)	-	-
1.33 Net effect of changes in accounting policies	-	-
1.34 Dividends and other equity distributions paid or payable	-	-
1.35 Retained profits (accumulated losses) at end of financial period	(157,457)	(137,051)

+ See chapter 19 for defined terms.

Intangible and extraordinary items

		<i>Consolidated – current period</i>			
		Before tax \$A'000 (a)	Related tax \$A'000 (b)	Related outside +equity interests \$A'000 (c)	Amount (after tax) attributable to members \$A'000 (d)
2.1	Amortisation of goodwill	-	-	-	-
2.2	Amortisation of other intangibles	-	-	-	-
2.3	Total amortisation of intangibles	-	-	-	-
2.4	Extraordinary items (details)	-	-	-	-
2.5	Total extraordinary items	-	-	-	-

Comparison of half year profits

(Preliminary final report only)

- 3.1 Consolidated profit (loss) from ordinary activities after tax attributable to members reported for the 1st half year (item 1.22 in the half yearly report)
- 3.2 Consolidated profit (loss) from ordinary activities after tax attributable to members for the 2nd half year

	Current year - \$A'000	Previous year - \$A'000
3.1	N/A	N/A
3.2	N/A	N/A

+ See chapter 19 for defined terms.

Condensed consolidated statement of financial position	At end of current period	As shown in last annual report \$A'000	As in last half yearly report
Current assets			
4.1 Cash	58,389	184,379	268,696
4.2 Receivables – refer Item 19.5	21,243	16,959	15,632
4.3 Investments	-	-	-
4.4 Inventories	15,528	15,157	16,562
4.5 Tax assets	-	-	-
4.6 Other – FX hedge losses deferred-realised	10,248	11,852	9,591
Other – Loan Note distribution prepayment	4,424	3,554	14,380
Other – refer Item 19.5	4,400	2,187	1,850
4.7 Total current assets	114,232	234,088	326,711
Non-current assets			
4.8 Receivables – refer Item 19.5	5,808	1,000	-
4.9 Investments (equity accounted)	3,789	3,789	6,876
4.10 Other investments	-	-	-
4.11 Inventories	-	-	-
4.12 Exploration and evaluation expenditure capitalised (see para .71 of AASB 1022)	5,968	5,968	5,968
4.13 Development properties (+mining entities)	-	-	-
4.14 Other property, plant and equipment (net)	79,766	83,112	82,705
4.15 Intangibles (net)	-	-	-
4.16 Tax assets	-	-	-
4.17 Other – Stanwell Magnesium Project	494,970	368,007	283,905
Other – FX hedge losses deferred -realised	5,420	9,741	15,667
Other – refer Item 19.5	16,289	8,004	10,627
4.18 Total non-current assets	612,010	479,621	405,748
4.19 Total assets	726,242	713,709	732,459
Current liabilities			
4.20 Payables – refer Item 19.5	30,822	26,593	26,003
4.21 Interest bearing liabilities	43,563	43,407	43,161
4.22 Tax liabilities	-	-	-
4.23 Provisions excl. tax liabilities	3,751	3,134	2,959
4.24 Other (provide details if material)	73	73	-
4.25 Total current liabilities	78,209	73,207	72,123
Non-current liabilities			
4.26 Payables – refer Item 19.5	10,733	1,680	457
4.27 Interest bearing liabilities	165,884	167,631	181,817
4.28 Tax liabilities	-	-	-
4.29 Provisions excl. tax liabilities	3,328	3,078	2,834
4.30 Other - Deferred revenue	39,226	39,226	39,226
Other – refer Item 19.5	4,856	706	-
4.31 Total non-current liabilities	224,027	212,321	224,334

+ See chapter 19 for defined terms.

Condensed consolidated statement of financial position continued

4.32	Total liabilities	302,236	285,528	296,457
4.33	Net assets	424,006	428,181	436,002
	Equity			
4.34	Capital/contributed equity	578,713	574,250	570,303
4.35	Reserves	2,750	2,750	2,750
4.36	Retained profits (accumulated losses)	(157,457)	(148,819)	(137,051)
4.37	Equity attributable to members of the parent entity	424,006	428,181	436,002
4.38	Outside [†] equity interests in controlled entities	-	-	-
4.39	Total equity	424,006	428,181	436,002
4.40	Preference capital included as part of 4.37	-	-	-

Notes to the condensed consolidated statement of financial position

Exploration and evaluation expenditure capitalised

(To be completed only by entities with mining interests if amounts are material. Include all expenditure incurred.)

	Current period \$A'000	Previous corresponding period - \$A'000	
5.1	Opening balance	5,968	5,968
5.2	Expenditure incurred during current period	2	46
5.3	Expenditure written off during current period	(2)	(46)
5.4	Acquisitions, disposals, revaluation increments, etc.	-	-
5.5	Expenditure transferred to Development Properties	-	-
5.6	Closing balance as shown in the consolidated balance sheet (item 4.12)	5,968	5,968

[†] See chapter 19 for defined terms.

Development properties

(To be completed only by entities with mining interests if amounts are material)

	Current period \$A'000	Previous corresponding period - \$A'000
6.1 Opening balance	-	-
6.2 Expenditure incurred during current period	-	-
6.3 Expenditure transferred from exploration and evaluation	-	-
6.4 Expenditure written off during current period	-	-
6.5 Acquisitions, disposals, revaluation increments, etc.	-	-
6.6 Expenditure transferred to mine properties	-	-
6.7 Closing balance as shown in the consolidated balance sheet (item 4.13)	"	"

+ See chapter 19 for defined terms.

Condensed consolidated statement of cash flows

	Current period \$A'000	Previous corresponding period - \$A'000
Cash flows related to operating activities		
7.1 Receipts from customers (incl GST)	54,363	45,243
7.2 Payments to suppliers and employees (incl GST)	(57,203)	(46,111)
7.3 Dividends received from associates	-	-
7.4 Other dividends received	-	-
7.5 Interest and other items of similar nature received	2,207	1,207
7.6 Interest and other costs of finance paid	(2,772)	(2,075)
7.7 Income taxes paid	-	-
7.8 Other – partial close-out of QMAG hedge book	-	(52,710)
Other receipts	112	51
7.9 Net operating cash flows	(3,293)	(54,395)
Cash flows related to investing activities		
7.10 Payment for purchases of property, plant and equipment incl. mine development	(708)	(1,258)
7.11 Proceeds from sale of property, plant and equipment	-	-
7.12 Payment for purchases of equity investments	-	-
7.13 Proceeds from sale of equity investments	-	-
7.14 Loans to other entities	-	-
7.15 Loans repaid by other entities	-	-
7.16 Other – Stanwell Magnesium Project	(147,722)	(55,394)
Other – CSIRO Research Agreement funding	17,200	32,800
7.17 Net investing cash flows	(131,230)	(23,852)
Cash flows related to financing activities		
7.18 Proceeds from issues of ⁺ securities (shares, options, etc.)	13,160	180,938
7.19 Proceeds from borrowings	17,610	223,845
7.20 Repayment of borrowings	(22,237)	(56,392)
7.21 Dividends paid	-	-
7.22 Other – debt origination fees (loan notes + bank debt)	-	(12,898)
7.23 Net financing cash flows	8,533	335,493
7.24 Net increase (decrease) in cash held	(125,990)	257,246
7.25 Cash at beginning of period (see Reconciliation of cash)	184,379	11,450
7.26 Exchange rate adjustments to item 7.25.	-	-
7.27 Cash at end of period (see Reconciliation of cash)	58,389	268,696

+ See chapter 19 for defined terms.

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. (If an amount is quantified, show comparative amount.)

NIL

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current period \$A'000	Previous corresponding period - \$A'000
8.1 Cash on hand and at bank	13,458	22,846
8.2 Deposits at call *	25,548	102,202
8.3 Bank overdraft	-	-
8.4 Bank bills & Term deposits	19,383	143,648
8.5 Total cash at end of period (item 7.27)	58,389	268,696
* includes cash deposits restricted to supporting bank guarantees	19,431	-

Other notes to the condensed financial statements

Ratios	Current period	Previous corresponding Period
9.1 Profit before tax / revenue Consolidated profit (loss) from ordinary activities before tax (item 1.5) as a percentage of revenue (item 1.1) Refer attachment (comparative changed)	(23.5%)	(8.0%)
9.2 Profit after tax / +equity interests Consolidated net profit (loss) from ordinary activities after tax attributable to members (item 1.11) as a percentage of equity (similarly attributable) at the end of the period (item 4.37)	(2.0%)	(0.7%)

+ See chapter 19 for defined terms.

Earnings per security (EPS)

10. Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of AASB 1027: *Earnings Per Share* are as follows.

	<u>Dec 2002</u> \$A'000	<u>Dec 2001</u> \$A'000
<u>Basic EPS</u>		
Net Loss	(8,638)	(3,126)
Earnings used in calculating Basic EPS:	(8,638)	(3,126)
Weighted average number of ordinary shares ("WANOS") used in calculation of Basic EPS:	Number ('000) 516,184	Number ('000) 193,254
<u>Classification of Securities</u>		
Partly paid shares (which form part of a Distribution Entitled Security) carry rights to dividends in the proportion to which they have been paid up (\$.308 of \$.608 has been paid as at balance date) and have been included as Ordinary Shares in WANOS in this proportion.		
<u>Diluted EPS</u>		
Diluted EPS has not been calculated as the "trigger test" in AASB 1027 failed.	N/A	N/A

NTA backing

(see note 7)

	Current period	Previous corresponding period
11.1 Net tangible asset backing per ⁺ ordinary security	N/A	N/A

Discontinuing Operations

(Entities must report a description of any significant activities or events relating to discontinuing operations in accordance with paragraph 7.5 (g) of AASB 1029: *Interim Financial Reporting*, or, the details of discontinuing operations they have disclosed in their accounts in accordance with AASB 1042: *Discontinuing Operations* (see note 17).)

12.1 Discontinuing Operations

NIL

+ See chapter 19 for defined terms.

Control gained over entities having material effect

13.1 Name of entity (or group of entities)	N/A
13.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was ⁺ acquired	\$ N/A
13.3 Date from which such profit has been calculated	N/A
13.4 Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	\$ N/A

Loss of control of entities having material effect

14.1 Name of entity (or group of entities)	N/A
14.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	\$ N/A
14.3 Date to which the profit (loss) in item 14.2 has been calculated	N/A
14.4 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	\$ N/A
14.5 Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	\$ N/A

Dividends (in the case of a trust, distributions)

15.1 Date the dividend (distribution) is payable	N/A
15.2 ⁺ Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if ⁺ securities are not ⁺ CHES approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if ⁺ securities are ⁺ CHES approved)	N/A
15.3 If it is a final dividend, has it been declared? <i>(Preliminary final report only)</i>	N/A

⁺ See chapter 19 for defined terms.

Amount per security

		Amount per security	Franked amount per security at % tax (see note 4)	Amount per security of foreign source dividend
15.4	<i>(Preliminary final report only)</i> Final dividend: Current year	N/A	N/A	N/A
15.5	Previous year	N/A	N/A	N/A
15.6	<i>(Half yearly and preliminary final reports)</i> Interim dividend: Current year	Nil	Nil	Nil
15.7	Previous year	Nil	Nil	Nil

Total dividend (distribution) per security (interim plus final)

(Preliminary final report only)

	Current year	Previous year
15.8 +Ordinary securities	N/A	N/A
15.9 Preference +securities	N/A	N/A

Half yearly report - interim dividend (distribution) on all securities or Preliminary final report - final dividend (distribution) on all securities

	Current period - \$A'000	Previous corresponding period - \$A'000
15.10 +Ordinary securities <i>(each class separately)</i>	Nil	Nil
15.11 Preference +securities <i>(each class separately)</i>	N/A	N/A
15.12 Other equity instruments <i>(each class separately)</i>	Nil	Nil
15.13 Total	Nil	Nil

The +dividend or distribution plans shown below are in operation.

N/A

The last date(s) for receipt of election notices for the +dividend or distribution plans

N/A

Any other disclosures in relation to dividends (distributions). *(For half yearly reports, provide details in accordance with paragraph 7.5(d) of AASB 1029 Interim Financial Reporting)*

N/A

+ See chapter 19 for defined terms.

Details of aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':	Current period - \$A'000	Previous corresponding period - \$A'000
16.1 Profit (loss) from ordinary activities before tax	-	-
16.2 Income tax on ordinary activities	-	-
16.3 Profit (loss) from ordinary activities after tax	-	-
16.4 Extraordinary items net of tax	-	-
16.5 Net profit (loss)	-	-
16.6 Adjustments	-	-
16.7 Share of net profit (loss) of associates and joint venture entities	-	-

Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities. (If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition ("from dd/mm/yy") or disposal ("to dd/mm/yy").)

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss) (item 1.9)	
	Current period	Previous corresponding period	Current period \$A'000	Previous corresponding period - \$A'000
17.1 Equity accounted associates and joint venture entities				
Icelandic Magnesium Corp Ltd	40%	40%	-	-
Flamemag International GIE (interest disposed 17 December 2002)	-	50%	-	-
17.2 Total			-	-
17.3 Other material interests	Nil	Nil		
17.4 Total	-	-	-	-

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current period

(Description must include rate of interest and any redemption or conversion rights together with prices and dates)

Category of +securities	Total number	Number quoted	Issue price per security (see note 14) (cents)	Amount paid up per security (see note 14) (cents)
18.1 Preference +securities (description)	Nil	Nil		
18.2 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks, redemptions	Nil	Nil		
18.3 +Ordinary securities (i) Fully paid (ii) Partly paid* *stapled to Loan Notes in 18.13 below	189,431,105 660,258,713	189,431,105 660,258,713		
18.4 Changes during current period (a) Increases through issues (i) ordinary shares (fully paid) (ii) ordinary shares (partly paid) (b) Decreases through returns of capital, buybacks	11,239 83,800 18,200 27,600 9,619,036 <u>4,100</u> 9,763,975 Nil Nil	11,239 83,800 18,200 27,600 9,619,036 <u>4,100</u> 9,763,975 Nil Nil	125.00 cents 30.11 cents 27.30 cents 29.18 cents 45.84 cents 24.85 cents	125.00 cents 30.11 cents 27.30 cents 29.18 cents 45.84 cents 24.85 cents
18.5 +Convertible debt securities (description and conversion factor)	Nil	Nil		
18.6 Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted	Nil Nil	Nil Nil		

+ See chapter 19 for defined terms.

18.7	Options (description and conversion factor)			Exercise Price	Expiry Date (if any)
	(i) 31 July 2005*	53,153,895	53,153,895	125 cents	31 July 2005
	(ii) 28 Feb 2007*	3,000,000	Nil	60 cents	28 Feb 2007
	(iii) Employee Options*	44,574	Nil	442.1 cents	13 Aug 2003
	<u>*Each option carries an entitlement to subscribe for one ordinary share</u>				
18.8	Issued during current period				
18.9	Exercised during current period				
	(i) 31 July 2005	11,239	11,239	125 cents	31 July 2005
18.10	Expired during current period	Nil	Nil		
18.11	Debentures				
18.12	(description)				
	Changes during current period				
	(a) Increases through issues	Nil	Nil		
	(b) Decreases through securities matured, converted	Nil	Nil		
18.13	Unsecured notes				
	Loan notes*	660,258,713	660,258,713		
	<u>*stapled to partly paid shares in 18.3(ii) above)</u>				
18.14	Changes during current period	Nil	Nil		
	(a) Increases through issues				
	(b) Decreases through securities matured, converted	Nil	Nil		

+ See chapter 19 for defined terms.

Segment reporting

(Information on the business and geographical segments of the entity must be reported for the current period in accordance with AASB 1005: *Segment Reporting* and for half year reports, AASB 1029: *Interim Financial Reporting*. Because entities employ different structures a pro forma cannot be provided. Segment information in the layout employed in the entity's ⁺accounts should be reported separately and attached to this report.)

Comments by directors

(Comments on the following matters are required by ASX or, in relation to the half yearly report, by AASB 1029: *Interim Financial Reporting*. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) and may be incorporated into the directors' report and statement. For both half yearly and preliminary final reports, if there are no comments in a section, state NIL. If there is insufficient space to comment, attach notes to this report.)

Basis of financial report preparation

19.1 *If this report is a half yearly report, it is a general purpose financial report prepared in accordance with the listing rules and AASB 1029: Interim Financial Reporting. It should be read in conjunction with the last ⁺annual report and any announcements to the market made by the entity during the period. The financial statements in this report are "condensed financial statements" as defined in AASB 1029: Interim Financial Reporting. This report does not include all the notes of the type normally included in an annual financial report. [Delete if preliminary final report.]*

Stanwell Magnesium Project

The recoverability of the Company's capitalised costs with respect to the Stanwell Magnesium Project is dependent upon the successful completion of development of the Stanwell Magnesium Project.

A comprehensive engineering, procurement and construction (EPC) agreement was signed with Leighton Contractors Pty Ltd ("Leighton") in August 2002. During Phase 1 of the contract Leighton will undertake work on a reimbursable basis. Phase 2 will commence following conversion to a lump sum contract scheduled for mid-2003.

Leighton and AMC agreed a target price of \$987 million before contingency. With the significant progress that has been made to date on engineering and procurement within the project, Leighton has provided an interim cost price breakdown (ICPB) which re-estimated this amount at \$1,156 million. This amount is before potential cost saving opportunities identified by AMC of \$20 million to \$40 million.

Leighton and AMC are now addressing the final Leighton contract price, a major factor being the amount of contingency now seen as necessary. This is being reviewed and negotiated between Leighton and AMC to ensure it is reflective of the level of certainty that will exist within the project at the time of contract conversion, estimated to occur in mid-2003.

Accordingly, uncertainty exists in relation to the costs to complete the project and alternative arrangements may be required in relation to the project.

⁺ See chapter 19 for defined terms.

- 19.2 Material factors affecting the revenues and expenses of the economic entity for the current period. In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations.

Nil

- 19.3 A description of each event since the end of the current period which has had a material effect and which is not already reported elsewhere in this Appendix or in attachments, with financial effect quantified (if possible).

On 3 January 2003, a subsidiary company of Newmont Australia Limited subscribed \$100M for shares in AMC, under the Normandy Subscription Agreement outlined in the October 2001 prospectus.

By 5 February 2003, a total of \$188.165M had been received for the final instalment on the partly-paid ordinary shares issued pursuant to the October 2001 prospectus. Of this total, \$8.696M had been received by 31 December 2002 and has been disclosed as a current liability.

- 19.4 Franking credits available and prospects for paying fully or partly franked dividends for at least the next year.

Franking credits available: Nil.

The entity does not expect to pay any dividends, franked or unfranked, during the next year.

- 19.5 Unless disclosed below, the accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. Any changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows. (Disclose changes and differences in the half yearly report in accordance with *AASB 1029: Interim Financial Reporting*. Disclose changes in accounting policies in the preliminary final report in accordance with *AASB 1001: Accounting Policies-Disclosure*).

The revised AASB 1012 *Foreign Currency Translation* was applicable for the first time in the half-year to December 2002. It has the effect that the net position under all foreign currency transactions (including hedges) is recognised in the statement of financial position. The net position is the "mark-to-market" valuation.

(There has been no change to the requirement that exchange differences on effective, designated hedges of specific commitments are deferred, and exchange differences on hedges that are directly attributable to the construction of a qualifying asset are capitalised as part of the cost of that asset).

Application of the revised standard has not necessitated any adjustments to revenue or expense or to the opening balance of accumulated losses.

AMC and its controlled entities have entered into foreign currency hedges of QMAG revenue, AMO revenue from the Stanwell magnesium plant, and AMO capital expenditure on the Stanwell magnesium plant.

Application of the revised standard has had the following effect on these items in the consolidated Statement of Financial Position:

	Increase (\$000)	Decrease (\$000)
<u>Current Assets</u>		
Item 4.2 Receivables	1,225	
Item 4.6 Other	2,659	
<u>Non-current assets</u>		
Item 4.8 Receivables	4,809	
Item 4.17 Stanwell Magnesium Project		2,157
Item 4.17 Other	8,663	
<u>Current liabilities</u>		
Item 4.20 Payables	2,659	
<u>Non-Current liabilities</u>		
Item 4.26 Payables	8,663	
Item 4.30 Other	3,877	

- 19.6 Revisions in estimates of amounts reported in previous interim periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous +annual reports if those revisions have a material effect in this half year.

N/A

- 19.7 Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last + annual report.

There have been no material changes.

+ See chapter 19 for defined terms.

Additional disclosure for trusts

20.1 Number of units held by the management company or responsible entity or their related parties.

N/A

20.2 A statement of the fees and commissions payable to the management company or responsible entity.

N/A

Identify:

- initial service charges
- management fees
- other fees

Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:

Place

N/A

Date

N/A

Time

N/A

Approximate date the ⁺annual report will be available

N/A

⁺ See chapter 19 for defined terms.

Compliance statement

- 1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX (see note 12).

Identify other standards used

Nil

- 2 This report, and the ⁺accounts upon which the report is based (if separate), use the same accounting policies.
- 3 This report does/~~does not~~* (*delete one*) give a true and fair view of the matters disclosed (see note 2).
- 4 This report is based on ⁺accounts to which one of the following applies.
(*Tick one*)
- | | | | |
|--------------------------|---|-------------------------------------|---|
| <input type="checkbox"/> | The ⁺ accounts have been audited. | <input checked="" type="checkbox"/> | The ⁺ accounts have been subject to review. |
| <input type="checkbox"/> | The ⁺ accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The ⁺ accounts have <i>not</i> yet been audited or reviewed. |
- 5 If the audit report or review by the auditor is not attached, details of any qualifications are attached/~~will follow immediately they are available~~* (*delete one*). (*Half yearly report only - the audit report or review by the auditor must be attached to this report if this report is to satisfy the requirements of the Corporations Act.*)
- 6 The entity has/~~does not have~~* (*delete one*) a formally constituted audit committee.



Sign here:
(Director & CEO)

Date: 7 February 2003

Print name: Rodney W Sharp

+ See chapter 19 for defined terms.

Notes

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period. Do not show percentage changes if the change is from profit to loss or loss to profit, but still show whether the change was up or down. If changes in accounting policies or procedures have had a material effect on reported figures, do not show either directional or percentage changes in profits. Explain the reason for the omissions in the note at the end of the announcement section. Entities are encouraged to attach notes or fuller explanations of any significant changes to any of the items in page 1. The area at the end of the announcement section can be used to provide a cross reference to any such attachment.

2. **True and fair view** If this report does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the entity must attach a note providing additional information and explanations to give a true and fair view.

3. **Condensed consolidated statement of financial performance**
 - Item 1.1 The definition of "revenue" and an explanation of "ordinary activities" are set out in *AASB 1004: Revenue*, and *AASB 1018: Statement of Financial Performance*.
 - Item 1.6 This item refers to the total tax attributable to the amount shown in item 1.5. Tax includes income tax and capital gains tax (if any) but excludes taxes treated as expenses from ordinary activities (eg, fringe benefits tax).

4. **Income tax** If the amount provided for income tax in this report differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the entity must explain in a note the major items responsible for the difference and their amounts. The rate of tax applicable to the franking amount per dividend should be inserted in the heading for the column "Franked amount per security at % tax" for items 15.4 to 15.7.

5. **Condensed consolidated statement of financial position**

Format The format of the consolidated statement of financial position should be followed as closely as possible. However, additional items may be added if greater clarity of exposition will be achieved, provided the disclosure still meets the requirements of *AASB 1029: Interim Financial Reporting*, and *AASB 1040: Statement of Financial Position*. Also, banking institutions, trusts and financial institutions may substitute a clear liquidity ranking for the Current/Non-Current classification.

Basis of revaluation If there has been a material revaluation of non-current assets (including investments) since the last ⁺annual report, the entity must describe the basis of revaluation adopted. The description must meet the requirements of *AASB 1010: Accounting for the Revaluation of Non-Current Assets*. If the entity has adopted a procedure of regular revaluation, the basis for which has been disclosed and has not changed, no additional disclosure is required.

+ See chapter 19 for defined terms.

6. **Condensed consolidated statement of cash flows** For definitions of “cash” and other terms used in this report see *AASB 1026: Statement of Cash Flows*. Entities should follow the form as closely as possible, but variations are permitted if the directors (in the case of a trust, the management company) believe that this presentation is inappropriate. However, the presentation adopted must meet the requirements of *AASB 1026*. ⁺Mining exploration entities may use the form of cash flow statement in Appendix 5B.
7. **Net tangible asset backing** Net tangible assets are determined by deducting from total tangible assets all claims on those assets ranking ahead of the ⁺ordinary securities (ie, all liabilities, preference shares, outside ⁺equity interests etc). ⁺Mining entities are *not* required to state a net tangible asset backing per ⁺ordinary security.
8. **Gain and loss of control over entities** The gain or loss must be disclosed if it has a material effect on the ⁺accounts. Details must include the contribution for each gain or loss that increased or decreased the entity’s consolidated profit (loss) from ordinary activities and extraordinary items after tax by more than 5% compared to the previous corresponding period.
9. **Rounding of figures** This report anticipates that the information required is given to the nearest \$1,000. If an entity reports exact figures, the \$A’000 headings must be amended. If an entity qualifies under ASIC Class Order 98/0100 dated 10 July 1998, it may report to the nearest million dollars, or to the nearest \$100,000, and the \$A’000 headings must be amended.
10. **Comparative figures** Comparative figures are to be presented in accordance with *AASB 1018* or *AASB 1029 Interim Financial Reporting* as appropriate and are the unadjusted figures from the latest annual or half year report as appropriate. However, if an adjustment has been made in accordance with an accounting standard or other reason or if there is a lack of comparability, a note explaining the position should be attached. For the statement of financial performance, *AASB 1029 Interim Financial Reporting* requires information on a year to date basis in addition to the current interim period. Normally an Appendix 4B to which *AASB 1029 Interim Financial Reporting* applies would be for the half year and consequently the information in the current period is also the year to date. If an Appendix 4B Half yearly version is produced for an additional interim period (eg because of a change of reporting period), the entity must provide the year to date information and comparatives required by *AASB 1029 Interim Financial Reporting*. This should be in the form of a multi-column version of the consolidated statement of financial performance as an attachment to the additional Appendix 4B.
11. **Additional information** An entity may disclose additional information about any matter, and must do so if the information is material to an understanding of the reports. The information may be an expansion of the material contained in this report, or contained in a note attached to the report. The requirement under the listing rules for an entity to complete this report does not prevent the entity issuing reports more frequently. Additional material lodged with the ⁺ASIC under the Corporations Act must also be given to ASX. For example, a director’s report and declaration, if lodged with the ⁺ASIC, must be given to ASX.

⁺ See chapter 19 for defined terms.

12. **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if one exists) must be complied with.
13. **Corporations Act financial statements** This report may be able to be used by an entity required to comply with the Corporations Act as part of its half-year financial statements if prepared in accordance with Australian Accounting Standards.
14. **Issued and quoted securities** The issue price and amount paid up is not required in items 18.1 and 18.3 for fully paid securities.
15. **Details of expenses** *AASB 1018* requires disclosure of expenses from ordinary activities according to either their nature or function. For foreign entities, there are similar requirements in other accounting standards accepted by ASX. *AASB ED 105* clarifies that the disclosures required by *AASB 1018* must be either *all* according to nature or *all* according to function. Entities must disclose details of expenses using the layout (by nature or function) employed in their ⁺accounts.

The information in lines 1.23 to 1.27 may be provided in an attachment to Appendix 4B.

Relevant Items *AASB 1018* requires the separate disclosure of specific revenues and expenses which are not extraordinary but which are of a size, nature or incidence that disclosure is *relevant* in explaining the financial performance of the reporting entity. The term "relevance" is defined in *AASB 1018*. There is an equivalent requirement in *AASB 1029: Interim Financial Reporting*. For foreign entities, there are similar requirements in other accounting standards accepted by ASX.

16. **Dollars** If reporting is not in A\$, all references to \$A must be changed to the reporting currency. If reporting is not in thousands of dollars, all references to "000" must be changed to the reporting value.

17. **Discontinuing operations**
Half yearly report

All entities must provide the information required in paragraph 12 for half years beginning on or after 1 July 2001.

~~Preliminary final report~~

~~Entities must either provide a description of any significant activities or events relating to discontinuing operations equivalent to that required by paragraph 7.5 (g) of *AASB 1029: Interim Financial Reporting*, or, the details of discontinuing operations they are required to disclose in their ⁺accounts in accordance with *AASB 1042 Discontinuing Operations*.~~

In any case the information may be provided as an attachment to this Appendix 4B.

18. **Format**
This form is a Word document but an entity can re-format the document into Excel or similar applications for submission to the Companies Announcements Office in ASX.

+ See chapter 19 for defined terms.

**AUSTRALIAN MAGNESIUM CORPORATION LIMITED
AND CONTROLLED ENTITIES**
ABN 51 010 441 666

**ATTACHMENT TO THE HALF YEARLY REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2002**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

ITEM 1.6 INCOME TAX

The Company has substantial available tax losses carried forward from prior years. Accordingly, there is no income tax payable or income tax expense (benefit) on the loss for the current half-year.

REVENUES AND EXPENSES FROM ORDINARY ACTIVITIES

ITEMS 1.23 to 1.27

	Current period - \$A'000	Previous corresponding period - \$A'000
Revenue from ordinary activities		
1.23 Revenue from sales or services	34,864	37,969
1.24 Interest revenue	1,838	1,198
1.25 Other revenue	112	51
Total Revenue (equal to item 1.1)	36,814	39,218
1.26 Expenses from ordinary activities, excluding borrowing costs		
Cost of sales	37,411	36,961
Other inventory costs and write-downs	359	188
Treasury costs (foreign exchange losses)	100	348
Administration costs	4,033	690
Other expenses	291	2,378
Total expenses from ordinary activities, excluding borrowing costs (equal to item 1.2)	42,194	40,565
Expenses disclosed separately (income tax expense applicable to these items is nil)		
Write off expenses related to Institutional Offering in the United States, withdrawn on 20 July 2001	-	2,090
1.27 Depreciation and amortisation excluding amortisation of intangibles	4,142	4,034

CHANGES IN COMPARATIVE AMOUNTS

Segment Note

Sales revenue has been adjusted in accordance with the comments under AASB 1012 *Foreign Currency Translation* below.

+ See chapter 19 for defined terms.

AASB 1012 Foreign Currency Translation

Comparative amounts have been adjusted to ensure treatment of foreign exchange differences is consistent with both AASB 1012 *Foreign Currency Translation* and the treatment in the year ended 30 June 2002. There has been no effect on Profit (loss) from ordinary activities after tax.

	Decrease (\$A'000)
<u>Revenue from ordinary activities</u>	
Sales revenue	<u>5,488</u>
<u>Expenses from ordinary activities</u>	
Cost of sales	577
Treasury costs (foreign exchange losses)	<u>4,911</u>
	<u>5,488</u>

Item	Appendix 4B Dec 2001 (\$A'000)	Increase (\$A'000)	Decrease (\$A'000)	Comparative reported (\$A'000)
1.1 Revenue from ordinary activities	44,706	-	5,488	39,218
1.2 Expenses from ordinary activities	46,053		5,488	40,565
1.23 Revenue from sales or services	43,457	-	5,488	37,969
1.26 Cost of sales	37,436	102*	577	36,961
1.26 Treasury costs (foreign exchange losses)	5,259	-	4,911	348
9.1 <i>Ratio calculation:</i>				
- Profit before tax	(3,126)	-	-	(3,126)
- Revenue	44,706	-	5,488	39,218
Ratio	(7.0%)			(8.0%)
		* a guarantee fee relating to foreign currency hedges has been reclassified from "Other" to "Cost of sales"		

Segment Note

Sales to external customers has been adjusted as discussed above.

Condensed consolidated statement of cash flows

Cashflows for the half-year to December 2001 have been reclassified to ensure their treatment is consistent with classifications used in the current half-year and the year ended 30 June 2002.

Cashflow	Appendix 4B Dec 2001 (\$A'000)	Classification in 2001	Classification in 2002
Exploration expenditure	46	Item 7.16 (Investing activity – Other)	Item 7.2 (Operating activity – Payments to suppliers and employees incl GST)
CSIRO Research Agreement funding	32,800	Item 7.19 (Financing activity – Proceeds from borrowings)	Item 7.16 (Investing activity – Other)

+ See chapter 19 for defined terms.

SEGMENT INFORMATION

Business Segments

The consolidated entity's activities are based on exploitation of the Kunwarara magnesite deposit in central Queensland, Australia, and are organised into two segments: 1) Magnesita operations, including the mining of magnesite; 2) the development of a Magnesium metal plant at Stanwell (this activity is referred to as the Stanwell Magnesium Project).

The Magnesita operation produces raw magnesite and calcined, deadburned and electrofused magnesita, and markets this predominantly to refractory and agricultural industries.

The Magnesium metal plant is under construction, and will produce magnesium metal and alloys.

Geographical Segments

The company's assets are all located in Australia, predominantly in central Queensland. Head office and a project office for the Stanwell Magnesium Project are located in Brisbane, Australia.

The magnesita operation sells to customers in Europe, North America, Australia, New Zealand, Asia and other countries.

Inter-segment transfers are priced on an "arm's length" basis and are eliminated on consolidation.

BUSINESS SEGMENTS

	Magnesia		Magnesium		Unallocated / Eliminations		Consolidated	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Sales to external customers.....	34,864	37,969	-	-	-	-	34,864	37,969
Intersegment sales.....	-	-	-	-	-	-	-	-
Total Sales Revenue	34,864	37,969	-	-	-	-	34,864	37,969
Other segment revenue	129	92	1,546	523	-	-	1,675	615
Total Segment Revenue	34,993	38,061	1,546	523	-	-	36,539	38,584
Segment Result	(3,162)	331	1,507	502	-	-	(1,655)	833
Unallocated revenue less unallocated expenses							(6,983)	(3,959)
Profit (Loss) from ordinary activities before income tax expense							(8,638)	(3,126)
Income tax expense							-	-
Profit (Loss) from ordinary activities after income tax expense							(8,638)	(3,126)
Net profit/(loss) (equal to item 1.9)							(8,638)	(3,126)
Segment Assets.....	137,130	138,905	480,369	515,067	(5,308)	(709)	612,191	653,263
Unallocated Assets							114,051	79,196
Total Assets							726,242	732,459
Segment Liabilities.....	28,830	18,078	52,556	53,797	(5,402)	(4,511)	75,984	67,364
Unallocated Liabilities							226,252	229,093
Total Liabilities							302,236	296,457
Investments in associates included in Segment Assets	-	-	3,789	3,789	-	3,087	3,789	6,876
Acquisition of Segment Assets.....	622	130	132,933	58,084	33	-	133,588	58,214
Depreciation & Amortisation expense	3,990	4,006	39	21	113	6	4,142	4,033
Other non-cash expenses	896	851	-	-	-	-	896	851
Items disclosed separately: [Nil for Segments]								

+ See chapter 19 for defined terms.

GEOGRAPHICAL SEGMENTS	Segment Revenues from sales to external customers		Segment Assets		Acquisition of segment assets	
	2002	2001	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Europe	14,388	15,558	-	-	-	-
USA.....	7,498	9,215	-	-	-	-
Australia	9,170	9,909	726,242	732,459	133,588	58,214
Other.....	3,808	3,287	-	-	-	-
	34,864	37,969	726,242	732,459	133,588	58,214

+ See chapter 19 for defined terms.

INDEPENDENT REVIEW REPORT TO THE MEMBERS
OF AUSTRALIAN MAGNESIUM CORPORATION LIMITED

Scope

We have reviewed the attached financial report of Australian Magnesium Corporation Limited in the form of Appendix 4B of the Australian Stock Exchange (ASX) Listing Rules, including the directors' declaration, for the half-year ended 31 December 2002, but excluding the following sections:

- a) material factors affecting the revenues and expenses of the consolidated entity for the current period (page 17); and
- b) compliance statement (page 20).

The financial report includes the consolidated financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the half-year or from time to time during the half-year. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia, statutory requirements and ASX Listing Rules as they relate to Appendix 4B, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to meet its obligations to lodge the financial report with the Australian Securities and Investments Commission and the ASX.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

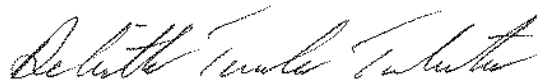
Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Magnesium Corporation Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2002 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia and ASX Listing Rules as they relate to Appendix 4B.

Inherent Uncertainty Regarding the Stanwell Magnesium Project

Without qualification to the statement expressed above, attention is drawn to the uncertainty disclosed in section 19.1 to the Appendix 4B financial statements in relation to the Stanwell Magnesium Project.



DELOITTE TOUCHE TOHMATSU



D J Quinlin
Partner
Chartered Accountants

Brisbane, 7 February 2003

DIRECTORS' DECLARATION

The directors of Australian Magnesium Corporation Limited declare that:

- (a) The financial statements and the notes thereto, in the form of Appendix 4B of the Australian Stock Exchange (ASX) Listing Rules, comply with Accounting Standards;
- (b) The financial statements and the notes thereto, in the form of Appendix 4B of the Australian Stock Exchange (ASX) Listing Rules, give a true and fair view of the financial position and performance of the consolidated entity;
- (c) In the directors' opinion, the financial statements and the notes thereto, in the form of Appendix 4B of the Australian Stock Exchange (ASX) Listing Rules, are in accordance with the Corporations Act 2001; and
- (d) In the directors' opinion, there are reasonable grounds to believe that the Company and its subsidiaries will be able to pay their debts as and when they become due and payable.

Signed at Brisbane this seventh day of February 2003 in accordance with a resolution of the Directors.



RODNEY W SHARP
Chief Executive Officer



J ROLAND WILLIAMS
Chairman