

24 November 2003

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 the Chairman's and CEO's address to shareholders at the Annual General Meeting held today at Brisbane Convention Centre, Cnr Merivale & Glenelg Streets, Brisbane commencing at 10.30am.

The information in the address insofar as it relates to ore or mineralisation is based on information compiled by a person who is an associate member of the Australasian Institute of Mining and Metallurgy and who has had a minimum of five years' experience in the field of activity being reported on. This address accurately reflects the information compiled by that member and has been prepared in accordance with ASX Listing Requirement 5.10.

Yours sincerely



P K Nair
COMPANY SECRETARY

24 November 2003

CHAIRMAN'S ADDRESS

Ladies and Gentlemen, I would now like to give my review of the year.

In preparing my address to the AGM, I have always found it salutary to look over what was said in previous years and the process I have used this year is no exception. A common theme which emerges from all previous speeches and is indeed still the case today is that AMC is a relatively small Australian company striving to use new but first class Australian technology to realize added value on an Australian resource and place Australia in a leading position in a promising and evolving international industry; this all through the establishment of a major magnesium metal production facility at Stanwell in central Queensland.

Comparing last year's address with today shows that similarity immediately stops there. The contrast between the two is remarkably stark. At this time last year, I was justified in speaking to shareholders within a positive frame. Although the journey had taken the Company considerably longer than originally anticipated, the series of challenges faced had all been overcome. The financing structure for the Stanwell Magnesium Project had been completed, a principal contractor had been appointed and work on project engineering and at the site was underway. Marketing activities were going well – the take-or-pay contract with Ford for half the plant output over ten years was firmly in place and good progress was being made in marketing the remainder of the Stanwell output through AMC's novel downstream user support approach. And, on timing, although the run-up had taken longer than expected, the project was still on time to meet production commitments with first metal scheduled for December 2004.

Shareholders are already aware that the situation this year is entirely different. On 13 June 2003, AMC formally announced that it would place a halt on the Stanwell Magnesium Project. In one stroke, this pushed AMC far back down the hill which it had climbed with so much care and endurance and it rocked the Company to its very foundations both financially and as an actual and prospective employer in Queensland. Given this, the consequences for shareholders could only be dire and extremely disappointing.

Whilst the happenings leading up to the curtailment of the development at Stanwell were complex, good communication with shareholders has always been a central purpose for AMC. Following an investigation made by ASIC into AMC's market disclosure, ASIC gave the Company a clean bill of health in relation to the continuous disclosure rules. In addition, on 3 and 4 July last, I and my Board colleagues addressed shareholder briefing meetings in both Rockhampton and Brisbane. In total, about one thousand shareholders attended these functions and we took as much care as possible to enable everybody with questions to have the opportunity of both asking them and receiving complete answers.

None of this absolves me today from examining the reasons as to why the Stanwell Magnesium Project had to be halted. Later on in these proceedings we shall detail what we have been doing since June together with the objectives that we have now set. Amongst these is a determination to re-group and resuscitate the metal production project at Stanwell. This makes a thorough understanding of what happened in the past even more important: AMC is not going to learn the same lesson twice. Our executives have consequently been spending time diagnosing what stopped the original Stanwell Magnesium Project. For those of you that were kind enough to come along to the July shareholder briefings, these studies have not added a great deal in principal conclusions but importantly they underline the conclusions we had made with greater confidence and I should like to take this opportunity of summarising our analysis.

First of all, the immediate reason why your Board formally halted the Stanwell Magnesium Project was straightforward. We accepted the AMC executive team's conclusion that it was no longer reasonable to expect the Project to be completed in accordance with the provisions of the Shareholder Prospectus published in October 2001 within the provisions of our funding arrangements. Why was this so? One could speak at length on this if one chose to enter into all the details. I do not think this is either the time or place to impose such an address on you the audience but I still want to point out the fundamental elements.

I have already mentioned the overall dimension of the task which AMC set itself. A leading consequence of this was the severity of the prescriptive conditions set by the banks providing AMC's senior debt financing for the Project. Amongst other things, these conditions required the establishment of an Engineering and Procurement Construction contract between the Company and a selected principal contractor with a requirement within this relationship to convert at an intermediate stage to a lump sum commercial contract basis. This could only occur following completion of substantial engineering work and equipment ordering. Furthermore, completion guarantees had to be provided by the principal contractor and the lump sum had to include an allowance for contingencies embracing these guarantees. These prescriptions had the effect of cutting down AMC's options in terms of contractor choice and notably this whole process was in the immediate post September 11 environment. Several well known international process plant contracting companies refrained from bidding against these requirements and other conditions imposed by the banks and AMC concluded that the only realistic situation was to engage Leighton Contractors Pty Ltd in the principal contractor role. Leighton is rightly well regarded as a first class internationally focused Australian contracting company but, from the outset, it was recognized by both AMC and Leighton that they had not previously worked on what was effectively a chemical processing project of major complexity. The agreed response to this was that Leighton would recruit staff with relevant proven experience and engage a constellation of sub-contractors who were specialists in their respective fields.

Already at this time last year I reported that an interim estimate from Leighton had indicated an over expenditure as progress evolved on engineering and procurement. Before contingency, this figure remained within AMC's funding arrangements and it was in any case intended to attack the expenditure increment in short order. Unfortunately, with further progress on the translation by the Contractor of AMC's process design into an engineered scheme, concern remained over potential cost increases – especially in bulk materials such as piping, cabling and steelwork. With this situation in mind, AMC accepted a recommendation from its US major shareholder (Newmont Mining) to bring in the US process plant contractor, Fluor Corporation, to make a survey analysis of the Project and, ultimately, to produce a full check cost estimate. The Fluor results confirmed that savings could be made in the project execution cost still with some over-expenditure against the original estimate but which could in turn have been covered within AMC's financing facilities. This was however before the inclusion of contingencies at an appropriate level. On this, AMC could in no way find agreement with Leighton.

Having reached this stage, AMC embarked directly on a principal revision of the project contracting approach. As an alternative strategy, supported by Newmont's recommendation, Fluor were to be introduced into a joint venture lead contract arrangement with Leighton and the core structure of the contract was to be switched from EPC to EPCM which meant that AMC would have to provide the completion guarantee from an alternative source. To meet this guarantee requirement strong enough balance sheet support would have been entirely sufficient. The AMC balance sheet however was not adequate for this and the Company looked to Newmont to step in. There is no doubt that Newmont considered this request very seriously and AMC felt optimistic regarding their conclusion. Unfortunately, Newmont finally decided not to furnish any guarantee support, instead it was suggested that AMC should seek a replacement major investor but only a matter of weeks was allowed to do this and, whereas AMC management got very close to achieving this, success ultimately evaded us.

To summarise, even with significant built-in contingent funding, to do what AMC was contriving to achieve:

- there is a limit to the amount of prescriptive conditions from lenders that can be borne in assembling financing;
- with the inevitable complexity of projects like Stanwell, contractor experience in this sector is imperative;
- and lastly, a cornerstone investor prepared to see things through to the final conclusion is essential.

Also on 13 June 2003, the completion of a Heads of Agreement between AMC and its major stakeholders (the Commonwealth and State Governments, Newmont Mining Limited and Leighton Contractors Pty Ltd) was announced and communicated first in outline and later in detail to shareholders. The documentation provided to shareholders in advance of today's meeting again comprises full detail and the Heads of Agreement are the subject of Resolution number 3 for this meeting which we shall come to in due course. However, let me again take this opportunity of summarising.

The Heads of Agreement were negotiated by the Company and its stakeholders under circumstances of considerable intensity. One reason for this was that it alluded to the very ongoing life of the Company. It was therefore critically important to both the Company and its shareholders that an acceptable result in the circumstances was achieved. In the eventuality, this was the case. The main components of the agreement are itemised under Section 2.1 of the Explanatory Memorandum to the Resolutions of this Meeting but the main consequences are that the Commonwealth and State subordinated their existing loans to the unsecured creditors of AMC and AMC remained within the ownership of you, its shareholders. This gave us time to re-group, develop our business prospects and push to resuscitate a project at Stanwell. This conclusion could never have been reached without cost; AMC has had to rapidly restructure into a company of far more modest dimensions. About half of the Company's available cash has been placed in escrow and will not be released by the Commonwealth and State unless they are satisfied with AMC's business plans and 120 people of an original total of 150 non-QMAG staff have been retrenched. This includes the original executive directors; and the Board has been cut in half.

What is your Company now left with?

Given the disastrous events of last June the financial report for the year under review was always going to be abysmal. By the time the Stanwell Magnesium Project was halted, \$860 million had been invested in activities connected with it and, as shareholders will have seen, the AMC figures for 2002/03 feature a net writedown of \$794 million. On the other hand, this figure includes only salvage costed valuation for the equipment and materials already acquired for the Stanwell Magnesium Project of some \$32 million. This is the sole accounting approach possible while uncertainty prevails regarding a project recommencement date. But this same inventory of equipment and materials has been valued at a figure of over \$350 million if it were to be used in a future plant built at Stanwell to the current design. The writedown also comprises a figure of over \$17 million for AMC's magnesia production subsidiary QMAG. This follows a review of QMAG's business plans and the deferral of future revenues and mine related synergies QMAG had expected to gain from magnesite sales to the Stanwell Magnesium Project. Finally, over \$260 million included in the writedown relates to investment in connection with the Stanwell Magnesium Project but made prior to November 2001 i.e., before the new equity for AMC was raised. The cost of the research and development conducted in bringing the AM magnesium manufacturing process to maturity is involved in this figure but, until firm prospects of commercial applications are in hand, neither this nor other aspects of AMC's intellectual property have been allotted any value in the Company balance sheet.

I should now like to move to a qualitative assessment of the assets which AMC now has. First, there is QMAG whose plant in Parkhurst, Rockhampton, is now one of the world's biggest producers of magnesia. I shall devote more detail to QMAG towards the end of this address. Second there is the AM magnesium production process (jointly owned by CSIRO and AMC). Development of this process, which is already regarded as leading in its field, continues and it is central to AMC's ongoing negotiations with potential partners aimed at resuscitating the Stanwell Magnesium Project. Lastly, there is the compendium of AMC's world wide marketing relations and its intellectual property in the form of both alloying and fabrication which again continues expanding through cooperation between AMC and the Cooperative Research Centre, CAST.

Although the supply contract with Ford has had to be terminated, the relationship between AMC and Ford in the USA remains strong and, while AMC's overseas marketing staff have had to be cut within the overall people rationalization effort, coverage of component makers and vehicle assemblers remains good not just in North America but also in Europe and Asia/Pacific. I can assure you that the reputation AMC has been built up in these quarters has survived.

As a general point, it should be asked whether AMC's studied pre-occupation with the future of magnesium as a material of great promise for automobile components is still justified. All the reconsideration we have put into this suggests that this is indeed the case. Not without some involvement from AMC's own marketing engineers, BMW has for instance now announced that they will be using cylinder blocks manufactured from magnesium alloy. And all the F250 Utilities produced by Ford USA indeed now contain large magnesium frontal support components. And lastly China – now the world's leading magnesium producer - has featured its magnesium industry as a major component of its current five-year plan. We remain excited by the future for magnesium and believe that it is still justly regarded as the "21st Century Metal".

I now want to turn to QMAG. Over the past couple of years, QMAG has been overshadowed by the majority of attention being devoted to AMC's magnesium metal activities at Stanwell. With circumstances as they have unfolded, QMAG will now remain AMC's only manufacturing site for more time to come. In fact, over the past few years, QMAG has been strengthening its position across the whole scope of industrial and commercial management. Its business has grown with a number of new overseas markets being opened; costs have been cut and its achievements in terms of substantial development through improved safety and environmental performance have been notable. As an operating entity, the future for QMAG looks good. It does however, suffer from the legacy of a sizable debt burden and, with the Stanwell Magnesium Project currently not proceeding, synergies expected to be gained at the QMAG-operated Kunwarara magnesium mine will be less. Options to restructure QMAG financing are a major issue for AMC management.

Mention of management brings me to my final subject. The year under review was both tough and sad for all AMC supporters and especially our Shareholders. But I should also like to ask you to understand the profoundly difficult experience for those within the Company of being thrown back from a goal for which they had striven so hard through being shot down in full flight. The retrenchment of 120 skilled and committed AMC staff and the inability to offer jobs to many project contractors in Queensland confidently expecting them were also nothing short of tragic.

Immediately on the developments culminating on 13 June 2003, Dr Chris Rawlings agreed to assume the position of Acting Chief Executive Officer of the Company and, over the past five months, I and the other members of the Board have worked together with Chris in guiding the Company towards its new objectives. Dr Rawlings will speak to you in a few moments time regarding the work that has been done on the re-grouping of AMC and the on-going recovery from its low-point. I want to compliment both him and the remaining staff at AMC and the people at QMAG for having stood up to inevitably trying circumstances and establishing a platform from which AMC can move forward. As already announced, having bridged the evolution of the past five months, I shall step down from the Board at the conclusion of this meeting. It has been a privilege for me to work with a group of the most dedicated people I have had the pleasure of encountering in a long career in the process industry. They all shared the intent to create a new and worthwhile enterprise for Australia based on excellent Australian technologies and resources. I sincerely hope that many of them will eventually be involved in AMC's renewal campaign. Given my retirement, the Board has elected Chris Rawlings as Executive Chairman of the Company. I want to be the first to congratulate him on this and to wish him well in his tenure. AMC has enjoyed great support from its shareholders, its stakeholders and its staff over many years. Maintaining such support will be important over the next twelve to eighteen months. This should give AMC, under Dr Rawlings' leadership, the chance of pursuing the conversion of its scientific and intellectual property into a new resilient opportunity offering the benefits shareholders so much deserve.

Thank you.

ROLAND WILLIAMS
CHAIRMAN

ACTING CEO'S ADDRESS

I would like to review progress made since the Stanwell Magnesium Project was terminated on 13th June 2003 and consider the prospects of the organisation going forward.

As referred to in the Chairman's Address, and released to the Australian Stock Exchange in June, your Company has been operating under a Heads of Agreement restructuring plan negotiated with the Company's stakeholders (The State and Commonwealth Government, Leighton Contractors and Newmont Australia). This agreement enables the Company to continue operating under an agreed plan and to remain a listed public company. The Company continues to operate on a reduced scale, principally to develop a sound basis to take the magnesium business forward. The financial and human resources available are of necessity limited.

Clear objectives for a new strategy were established in the first couple of months as was the plan to preserve physical and intellectual assets developed for the Stanwell Magnesium Project. Negotiations with unsecured creditors (engineers, equipment suppliers and contractors) are all but complete. This has been an enormous task and has essentially been accomplished within the specified limits arising from the Heads of Agreement.

Your Company has a prepared site, with services infrastructure, established at Stanwell, and has taken delivery of a large number of manufactured components built for the project. Some individual items of equipment at an advanced construction stage, have been completed, post project termination, to maximise value retention. Other equipment, partly constructed has been retained and stored at various manufacturing premises around the world pending project reactivation and manufacturing completion. Termination of the many hundreds of contracts, on terms negotiated with suppliers, has ensured that key relationships have been maintained for reactivation of the project in the future.

All employees, who were retrenched from the Company, received their full entitlements and the remaining employees have had their entitlements preserved. Overall the enormous amount of work undertaken in the first few months has resulted in the remaining project assets being preserved in a manner that best supports a future restart, when circumstances are more suitable.

The small core of employees, who were retained to strategically realign the organisation and preserve value for a future project restart, have been actively setting about re-establishing the magnesium business for the future.

As discussed in the Annual Report, the Company has been reorganised into three business units, each with their own fundamental characteristics, strategies and business drivers. The three business units are Advanced Magnesium Technology (AMT), Magnesium Primary Production including the Stanwell Magnesium Project (MPP) and Queensland Magnesia Limited (QMAG).

I would briefly like to discuss the recent progress with each of the three business units.

ADVANCED MAGNESIUM TECHNOLOGY (AMT)

This business unit has five objectives:

- 1) To develop the market for AMC's proprietary alloys that would create a new demand for 30,000 tonnes of primary metal in the automotive industry;
- 2) To develop the markets for new alloys for use in non automotive industries;
- 3) To develop the markets for AMC's proprietary hot magnesium metals handling products and services;
- 4) To develop new alloys and technologies supporting the long term growth of magnesium in powertrain applications and crash structures in automobiles; and
- 5) To ensure that the business is generating sufficient cash to be financially self sufficient by 2006.

The focus on creating demand in the automotive industry remains the best basis for world growth of the magnesium business and is the strategic imperative for AMT. Increasingly, societal pressures for a better, cleaner, safer environment have placed significant challenges in front of the automotive industry to find cost effective solutions to reduce greenhouse gas emissions and improve fuel economy without increasing costs or reducing vehicle features. One of the prime solutions in meeting these challenges is to progressively reduce the weight of cars and light trucks, whilst ensuring consumer utility is maintained. Magnesium provides one of these solutions.

The introduction of new technologies and materials such as magnesium into the design of a new car requires the input of specialist engineers in the early stages of the designs for new vehicles.

As part of its new business plan, AMT has retained 2 engineers from the original marketing team, who are working in Europe with automotive manufacturers and tier one automotive component suppliers on a fee for service basis. AMT believes it is essential to retain these channels into the advanced automotive engineering community in order to introduce AMT's proprietary products and technologies, and continue to educate the automotive industry about the merits of this comparatively infant structural metal, magnesium.

Whilst much of their current design activities relate to the use of existing magnesium alloys in interior applications, further growth in the use of magnesium will require the development of new applications in hot areas of the car, such as engines, transmission housings and intake manifolds - requiring new high temperature creep resistant alloys, and in body and crash structures - requiring extrusions based on new alloys and designs with high energy absorbing properties. Ultimately these applications have the potential to create demand far exceeding current usage, and they will be based on value added technologies such as those currently being developed by AMT and our research partners, CAST.

To avoid a total dependence on the automotive industry, AMT has given a high priority to support the development of a new alloy for potential high volume applications outside of the automotive industry. The development of this alloy is at an early stage, but its results are exciting enough to advance beta testing trials early in the New Year. Growth in demand for this alloy will complement the growth of the automotive use of magnesium alloys.

To promote the use of its proprietary alloys, AMC has been casting sample quantities of ingots at the Queensland Centre for Advanced Technologies (QCAT), for shipment to its potential customers in North America and Europe to conduct trials. The demand for these samples has been growing as the market becomes aware of AMT's new strategy and the need for larger smelting facilities has necessitated a move back to the cast house at the demonstration plant at Yarwun, near Gladstone. Sample production is anticipated to commence there in December. A feasibility study on the financial basis for proprietary alloy production is also being prepared. Ultimately it is envisaged that the demand will have grown sufficiently to underpin completion of the cast house at the Stanwell Magnesium Project. In the absence of a major magnesium offtake contract, previously provided by the Ford agreement, it is necessary to progressively develop market demand for AMC's existing proprietary alloys and to continue the development of new alloys and value added applications to underpin commitment to construction of the Stanwell Project.

In the short to medium term, AMT has given priority to the commercialisation of its proprietary hot metal products and services as a means of generating income from licence and consulting fees. These technologies were developed in response to the need to reduce metal losses during casting and recycling of magnesium and to improve production efficiencies. Molten magnesium oxidises readily in the atmosphere and needs to be protected by a protective cover gas. Oxidation of molten magnesium during casting creates dross and sludge, reduces metal recovery and contributes to increased maintenance and downtime. It is a large cost to the die casting industry and detracts from magnesium's overall competitiveness in relation to other metals.

Over the past 4 years, AMC and CAST have developed a new environmentally friendly cover gas, AM-cover, to replace the cover gas currently used by the magnesium industry. SF₆. SF₆ is expensive, and has a significant Global Warming Potential. By comparison, AM-cover reduces greenhouse gas emissions by more than 95%, reduces dross and sludge by over 50%, improves productivity, and significantly reduces costs. Beta trials conducted in North America and Europe over the past 4 months have been highly successful and commercialisation has just commenced. It is proposed to roll out licences and engineering support for this cover gas progressively over the next 2 years.

The first commercial licence for use of the gas by a European customer was signed this month. The total market for licences for cover gas is estimated to be in the order of US\$2 million per annum and growing.

AMC has developed another proprietary technology for introducing solid magnesium to molten magnesium, AM-converter, which in conjunction with AM cover gas has the potential to significantly reduce melt losses and improve productivity. This may also improve the economics of magnesium recycling, and will help grow the competitive basis for the industry. This will become increasingly important as the European Community's legislative requirement to increase the amount of material recycled at the end of the useful life of cars to 85% cuts in at the end of 2006. The first trial installation of this technology has been operating since October and has been so successful that a second installation has been ordered. AMT has signed an alliance with 3 leading equipment manufacturers to manufacture, install and maintain this equipment for its customers.

The conversion of Advanced Magnesium Technology to a business unit is increasing interest in alliance and strategic relationships with diecasters, Tier one suppliers and automotive manufacturers and is already beginning to translate into new business opportunities for AMC.

MAGNESIUM PRIMARY PRODUCTION (MPP)

The price of magnesium pure metal has been falling, due to the increase in Chinese magnesium production using labour intensive thermal reduction production methods. This has led to a significant decline in Western world electrolytic magnesium production. The standard magnesium alloys, mostly used in automotive applications have also become commoditised and their low prices reflect this. It had been AMC's intention that, over time, it would sell an increasing proportion of the Stanwell plant production in the specialty alloys market, where the margins and returns would be higher than for the standard alloys. It is now considered imperative to develop a demand for these alloys to underpin the financial basis for resumption of the project.

The Stanwell Magnesium Project exceeded the funding envelope due to capital cost growth. Due to the tight timetable of the project, there was no opportunity to cease construction and procurement and have the project standstill while a major project cost review took place. Without placing the Ford contract in jeopardy, a number of smaller cost optimisation reviews were conducted during the design period and some of the results were implemented. In the period since the project was terminated, a cost review not constrained by the project timetable has taken place and potential savings of approximately A\$150 to 200 million have been identified. Some of these savings reflect the implementation of a new project execution model and remove some of the constraints imposed by the funding package and hence could only have been realised with a change in strategy. Despite these potential savings, for the project to produce metal at internationally competitive prices, it is considered that the capital intensity of the project needs to be further reduced without compromising the low cash operating cost basis of the current design.

Two areas of improvement are being evaluated. The first involves a fundamental process review of each of the separate process areas in the plant. The aim of the dehydration process is to produce a magnesium chloride feed to the Alcan electrolytic cell containing minimum oxide levels. Providing this objective is achieved, the question we are examining is: *"Are there any other established component processes or technologies that have the capacity to substantially lower the capital cost of the plant"*.

Existing component processes utilised in other industries may achieve capital cost reductions, whilst not compromising the integrity of the quality of the feed to the electrolytic cell. This study is being conducted by an international firm with considerable magnesium production expertise who were not directly involved in the Stanwell Magnesium Project to ensure fresh eyes are addressed to the issue. This study will be completed by February 2004.

The second area of consideration is research into an improved, lower capital cost, AM process. This research is examining the elimination of the complex glycol and methanol systems associated with the current AM Process. Such a change would allow the elimination of many items of equipment in the dehydration section of the facility, most of which are very expensive. This has the potential, if successful, to reduce the capital intensity of the entire plant by 20%. Bench scale laboratory work being conducted at CSIRO, on AMC's behalf, has been underway for about one year. Further work will be required to determine the applicability of this concept.

Once issues of reduced capital intensity have been resolved, there is a potential for further magnesium primary metal plants based on local magnesium chloride rich brines in China and the Netherlands. The AM process delivers the most environmentally responsible electrolytic method of producing magnesium, and providing the total (capital and operating) costs are competitive, can form the basis of future magnesium metal production in such situations.

In order to share the risk of the capital exposure, preliminary discussions have been held with potential partners in an unincorporated Joint Venture for the Stanwell magnesium plant. The concept would be that, providing a plant is built to the same design and at a reduced cost, AMC would contribute its site, process and marketing expertise, existing designs and developed equipment, while potential partners would contribute financial resources. These discussions are not yet progressed sufficiently to provide any certainty about the proposals.

QMAG

There has been much positive progress made on improving the safety and operations efficiency at QMAG's Kunwarara Mine and the Parkhurst processing plant. QMAG management and staff are to be commended for their diligent application to business improvement, particularly after the uncertainty created by the termination of the Stanwell project. Growth opportunities for increased sales of existing products are being pursued with vigour. Despite this progress, competitive pressures in this industrial mineral business make QMAG's financial position extremely challenging and your Company has limited capacity under the terms of the Heads of Agreement to respond with any short term support that may be required by QMAG.

International prices for QMAG's export products seem to have stabilised after a prolonged period of price reduction.

Price stabilisation has been caused by some western world competitors ceasing production in response to new Chinese supply and lower prices. Recently some modest increases in prices have been achieved.

More recently, extreme increases in ocean freight rates have imposed another competitive pressure on the QMAG business. Short term bulk freight rates have increased in the order of 200 - 300% due to the large amount of bulk commodities being imported into China and delays being experienced at many bulk ports. New ship builds will eventually cause this issue to return to more normal conditions but while the Chinese demand for bulk commodities continues to be strong, ocean freight costs will remain high. European suppliers of magnesite products are likely to have a significant competitive advantage over QMAG in supply of product to European customers due to these freight increases. However, Chinese suppliers of magnesite products are experiencing similar freight increases, which are beginning to flow through to prices.

The Chairman's address referred to the sizable debt burden that QMAG has carried since 2001. This debt was a consequence of a debt and equity restructure of an out of the money hedge book, impacted upon by deferred impacts of the Asian financial crisis of late 1997. Newmont Australia (successor to Normandy Mining) is the guarantor of this debt. Your company is in discussions with Newmont Australia and QMAG's lender to implement a restructuring of this debt. This restructure will require equity injection, something beyond the capabilities of your company in its present circumstances. It may be necessary to separate the QMAG business from the AMC group to provide a sound financial future for the business and its 280 employees and contractors. If such a separation becomes necessary, AMC will retain the rights to the Kunwarara deposit for future use in the Magnesium project. We will keep you informed of progress on this important issue.

STRATEGIC PARTNERS

It is an obvious fact that small technology companies like AMC need the financial support and partnership of large corporates if they are to successfully undertake large projects. Such remains the case for AMC, since Newmont Australia, AMC's major shareholder and successor to Normandy Mining, decided that the magnesium business was non-core to their interests. While AMC continues to develop its markets and explores solutions to its business issues, a search is underway for a compatible partner or partners to share the magnesium vision.

Preliminary discussions have been held with a number of major international companies and, while initial responses have been encouraging, much work needs to be done. It takes time and clear air after a company has undergone a financial crisis to restore the confidence of potential investors and to get them comfortable with the new company strategy and its long term potential. The search for corporate partners will continue.

The Directors of AMC are working with Newmont Australia management to ensure that the shareholding remains available to investors who are willing to be supportive of the magnesium business and of AMC's shareholders best overall interests.

LOOKING FORWARD

The principal objectives of AMC management going forward will be to deliver the results of the various studies and proposals to the Government stakeholders in February for them to consider whether financial support will be made available from escrow funds for continuation of the business beyond June 2004. Momentum is developing in all three business units and as a lean, focussed and dynamic metals technology business is emerging, so I have confidence they will view our progress favourably.

My appointment to Executive Chairman, announced to the ASX last week, is not ideal from a modern governance viewpoint, but essentially absorbs the Chairman's duties into the existing personnel structure. Other adjustments to responsibilities will be made to ensure appropriate governance standards are met. I have confidence that Eric Kolatchew will fulfil the role of Chief Executive Officer. I will be involved almost permanently on partner search, external financing and Government and shareholder relations. Once the Company is again established on a sound basis, then the roles and responsibilities of Chairman and Chief Executive Officer will be reviewed by the Board.

I would like to thank the management and staff at AMC for maintaining a professional attitude and application during very difficult times. I would also like to thank the Board for their attention to detail and support of the new strategic direction and their willingness to take on an increased workload.

In conclusion, I thank you for your patience and understand completely your concerns about past performance. I believe the AMC magnesium business is worthy of your continued support and I commend Resolution Number 3 for your approval.

Thank you.

CHRIS RAWLINGS

ACTING CHIEF EXECUTIVE OFFICER

For further comment contact

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