

13 February 2004

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

Dear Sirs,

RE: ANNOUNCEMENT

Please find attached Announcement in relation:

- **AMC Submits Business Plan To Government Stakeholders**

Yours sincerely



P.K. Nair
COMPANY SECRETARY

AMC SUBMITS BUSINESS PLAN TO GOVERNMENT STAKEHOLDERS

Australian Magnesium Corporation submitted its proposed Business Plan (The Plan) to the Queensland State and the Commonwealth Governments today. Delivery of the Plan is in accordance with the Heads of Agreement (HOA) negotiated between AMC, the two Governments and other stakeholders in June, 2003.

The Business Plan proposes future objectives and funding initiatives for AMC beyond mid June 2004, when the funding, under the HOA, concludes.

The strategic intent is for AMC to continue as an independent business with the three business units described in its 2003 Annual Report:

- To finance and develop an Advanced Magnesium Technologies (AMT) business as a profitable producer of proprietary alloys and products.
- To refinance the QMAG business and to implement its business plan to ensure its continued operation and growth.
- To maintain an option for primary magnesium production at Stanwell when market and economic conditions are more suitable, by financing the continued development of the AM Process.

The plan also proposes to continue AMC's alliance relationships with CSIRO and CAST, to maximise the commercial returns from ongoing technology development.

The commercialisation of AMC's proprietary alloys, metal handling technologies and casting expertise, particularly for the automotive industries, forms the basis of business growth and development for the AMT business unit. Commercial relationships are being progressively realised with auto companies, Tier One suppliers and diecasting companies. It is targeted to have AMT as a self sustaining business by the end of 2006, producing and selling proprietary alloys by remelting pure metal feedstock.

Research work undertaken with CSIRO since June 2003 has targeted simplification of the AM Process (the basis of the Stanwell Magnesium Project), in order to reduce the capital intensity of a metal production plant. Significant improvements to the commerciality of the AM Process are achievable and research results have indicated a potential to reduce the capital intensity by 25 percent.

Further reductions in the capital intensity are targeted in the next stage of research to ensure that the AM Process is the most competitive electrolytic production method. The AM Process continues to be the most environmentally responsible method for the electrolytic production of magnesium metal.

Despite the potential significant reduction in capital intensity, international economic conditions (persistent low magnesium metal and alloy prices, high value of the Australian dollar and the competitive position of Chinese magnesium production) are not conducive to investment in new electrolytic production of magnesium in the western world at this time.

The Company will continue to monitor the timing of the future investment in primary metal production.

Funding alternatives will be pursued with existing stakeholders and new investors with a strategic interest in the emerging magnesium technology industry. Interest in the business opportunity is emerging and potential investors in the business are being engaged in parallel with stakeholder consideration of the Plan.

The Company acknowledges the consideration of the Stakeholders in allowing the ongoing operations of the organisation, while the Company prepared a plan to take the business forward in a sustainable manner. The details of the Plan are confidential to the Government Stakeholders who are obliged to consider AMC's proposals and respond by mid March 2004.