



31 January 2007

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

Dear Sirs,

RE: Expanding Chinese Interest in AM-lite®

Please find attached, announcement on the Company signing its seventh development alliance agreement.

Yours sincerely,

A handwritten signature in black ink, appearing to read "P.K. Nair". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

P.K. Nair
COMPANY SECRETARY



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ASX ANNOUNCEMENT - 31 January 2007

Chinese Interest in AM-lite® Continues to Expand

Advanced Magnesium is pleased to announce that it has just concluded its seventh development alliance agreement. The latest agreement is with Taiwan Fu Hsing Industrial to jointly develop a range of door locks and handles in AM-lite®.

Taiwan Fu Hsing Industrial is one of the world's largest manufacturers in its field and a major exporter of leading brand door hardware to the US market. It was established in 1957, and specializes in developing and manufacturing security door hardware for commercial and residential applications. It has factories in Taiwan, Malaysia and China and a warehouse and sales office in Atlanta.

During the next six months, Advanced Magnesium and Fu Hsing will work together on a detailed technical development and training program to enable Fu Hsing to apply AM-lite to the manufacture of a number of new and existing products.

Of its seven current AM-lite development alliances, Advanced Magnesium has three in China with some of the world's largest manufacturers in their field. These include electronic components, electroplated sanitary ware and electroplated hardware.

As previously announced, AM-lite's ability to substitute electroplated components made from zinc alloy, aluminum, plastics and the existing magnesium alloy AZ91, at lower costs, make it an attractive opportunity for some manufacturers.

Because of its limited specialist technical resources, Advanced Magnesium is concentrating its efforts on only a limited number of leading manufacturers in each targeted field. These include hardware, sanitary ware, electronics, motorcycles and automotive.

Over the next few months, some of the existing development alliances are expected to lead to new high volume commercial applications of AM-lite. As this happens, Advanced Magnesium will start to wind back its intensive technical support for these programs and shift its attention to the next round of key customers. We are currently in discussions with these customers and hope to finalise detailed development programs with them over the coming months.

For further information on Taiwan Fu Hsing Industrial, please refer to their website at www.fuhsing.com.tw. For information on Advanced Magnesium go to www.am-technologies.com.au