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Company Announcements Office
Australian Stock Exchange Limited
20 Bridge Street
Sydney, NSW, 2000

Dear Sirs,

ASX Corporate Governance Guidelines – Second Edition

Under ASX Listing Rule 4.10.3, companies are required to provide a statement in their annual report disclosing the extent to which they have followed the recommendations in the reporting period. Where companies have not followed all the recommendations, they must identify the recommendations that have not been followed and give reasons for not following them.

The company's annual report for the period ended 30 June 2009 stated the extent to which the recommendations in respect of the first edition principles had not been followed. This announcement deals with the company's degree of compliance with the second edition principles. It is not the purpose of this medium to make the disclosures required by the recommendations. Those disclosures, to the extent required by the Company's compliance, will be made in the annual report. This statement is confined to stating the degree to which the company will comply with each recommendation.

Compliance or otherwise with each recommendation is shown in the Attachment.

J D Talbot
Company Secretary

ATTACHMENT
Recommendation
Governance Principle
Company Compliance

Recommendation 1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Compliance
Recommendation 1.2	Companies should disclose the process for evaluating the performance of senior executives.	Compliance
Recommendation 1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	Compliance
Recommendation 2.1	A majority of the board should be independent directors.	Compliance – refer note 1
Recommendation 2.2	The chair should be an independent director.	Non Compliance – refer note 2
Recommendation 2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Non Compliance – refer note 2
Recommendation 2.4	The board should establish a nomination committee.	Non Compliance – refer note 3
Recommendation 2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Compliance
Recommendation 2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Compliance
Recommendation 3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Compliance
Recommendation 3.2:	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Compliance
Recommendation 3.3:	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Compliance
Recommendation 4.1	The board should establish an audit committee.	Compliance
Recommendation 4.2:	The audit committee should be structured so that it: • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board • has at least three members.	Non Compliance – refer note 4
Recommendation 4.3	The audit committee should have a formal charter.	Compliance
Recommendation 4.4:	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Compliance
Recommendation 5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Non Compliance – refer note 5
Recommendation 5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Non Compliance – refer note 5
Recommendation 6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Compliance
Recommendation 6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Compliance
Recommendation 7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Compliance
Recommendation 7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Compliance
Recommendation 7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Compliance
Recommendation 7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Compliance
Recommendation 8.1	The board should establish a remuneration committee.	Compliance
Recommendation 8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Compliance
Recommendation 8.3:	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Compliance

Notes

1

One non executive director (Li Zhong Jun) is also an indirect substantial shareholder of the company. He resides in China, is involved in the metal industry in China and is a director of Henan Keweier Alloy Materials Co., Ltd (HNKWE) – the joint venture company in China in which AML has a 53% interest. His interest in seeing that both companies succeed and his physical separation from the day to day management personnel enables an objective and dispassionate view to be brought to bear on strategic and policy issues. Other than as an indirect shareholder in AML and direct shareholder in HNKWE, Mr Li and/or associated parties have no contractual or informal arrangements with AML and HNKWE that could yield a commercial benefit.

2

The board is highly cognisant of its fiduciary and corporate governance responsibilities to shareholders. AML is a company in the development stage of its products and markets and as such generates limited revenue relying on equity capital raisings for cash flow. There is great pressure to satisfy the goals of successful commercialisation of its proprietary alloy and magnesium production technologies and generate momentum for its production facility in China within the constraint of limited funding. It is a management challenge quite different to the challenges confronting an established business. The act of judiciously allocating funding to the commercialisation and development tasks and management practices is one that requires careful balance. The current corporate governance practices have been undertaken only after due consideration of this balance.

3

AML is a company consisting of a small Board and small capital. Such matters can be handled by the full board.

4

Mr Michael Brown, Mr Li Zhong Jun and Mr Nicholas Andrews are members of the Finance, Audit and Compliance Committee. The committee is chaired by Mr Brown. Mr Brown and Mr Li are non executive directors and regarded as independent. Given the size and scope of AML's operations the composition of the committee provides a relevant overview.

5

The company will not maintain **written** policies in respect of compliance with ASX Listing Rule disclosure requirements. The company does not have a large bureaucratic infrastructure required by large organisations to facilitate communication and consistent policy delivery. There is only 4 staff located in Australia responsible for the head office and administrative functions. Of these four the Executive Chairman and Chief Financial Officer bear the day to day responsibilities for matters such as listing rule disclosures. They work in close physical proximity and remain in constant communication. Between these individuals knowledge is maintained of all the critical events that will affect the company economically and strategically. In this environment the company believes disclosure requirements are best addressed in one on one discussion and review rather than by a written policy designed to cover a wide range of events (foreseen and unforeseen).

General

The common thread running through the company's response to the guidelines is that the company is a small organisation without a bureaucratic infrastructure. Its management is tightly held and issues will be addressed by direct communication.

All of the governance principles need to be observed by the company. However, given the company's status a standard bureaucratic response to managing the governance principles may defeat the inherent flexibility the company currently enjoys in its management approach.