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Advanced Magnesium Limited – Partial Underwriting of Securities Purchase Plan

Following acquisition by Advanced Magnesium Limited (the Company) of the Magontec group of companies, the Company announced (on 12 July 2011) its intention to raise capital via a Securities Purchase Plan (SPP). The relevant material for the SPP was dispatched to shareholders on 20 July 2011.

The Information Document included in the dispatch to shareholders at heading 3 mentions that the "……SPP maybe underwritten". The Company is pleased to announce that a partial underwriting has been secured. The underwriting is to be provided by two of AML's existing large shareholders on a common basis.

The major element of the underwriting (82%) is being provided by Orbis Investment Management (Australia) Pty Ltd.

The level of underwriting will be geared to the amount of SPP subscriptions received from the Company's shareholders as shown in Table 1.

Table 1

	Raised From Eligible Shareholders	Underwriting	Total Raised
Up to	$400,000	$777,649	$1,177,649
Up to	$600,000	$832,658	$1,432,658
Up to	$800,000	$887,610	$1,687,610
Up to	$1,000,000	$942,560	$1,942,560
Up to	$1,200,000	$997,540	$2,197,540
Up to	$1,400,000	$1,052,510	$2,452,510
Up to	$1,600,000	$1,107,487	$2,707,487
Up to	$1,800,000	$1,162,449	$2,962,449
Up to	$2,000,000	$1,217,364	$3,217,364
Up to	$2,200,000	$1,272,415	$3,472,415
Up to	$2,400,000	$1,327,370	$3,727,370
Up to	$2,600,000	$1,382,351	$3,982,351
Up to	$2,800,000	$1,437,311	$4,237,311
Up to	$3,000,000	$1,492,281	$4,492,281

Under the heading "**The Share Issue (Subsequently Referred to as the "Offer")**" in the Terms and Conditions of the SPP, the Company is able to issue up to 93,148,085 shares producing a potential raising of $5,588,885. However, the Company's intention is to confine the raising to $3,000,000. The underwriting provides the Company with the flexibility to accept subscriptions beyond the $3,000,000 target if the Board considers this appropriate.

Some relevant terms of the underwriting arrangements include

- any issue of shares to the underwriters will need to be approved by AML's shareholders at a general meeting;
- the underwriter will only be required to pay for the shares and the shares will only be issued to him after this approval has been given; and
- whilst the preparedness of the underwriter to commit to an investment is unqualified, if shareholder approval is not granted to the allocation of shares to the underwriter all underwriting obligations fall away.

John Talbot
Company Secretary
Advanced Magnesium Limited