



QUARTERLY CASHFLOW - APPENDIX 4C

for the Period Ended 31 December 2008

The company had a net operating cash outflow in the December 2008 quarter of \$621,571. This compares to \$828,262 in the quarter ending September 30, 2008. The cash balance as at December 31 2008 was \$1,546,294.

The impact of the global economic slowdown on the magnesium industry was very much apparent in the December quarter. Many magnesium die casters were, by early December, operating at significantly reduced capacity or had shut down their die casting lines completely. This capacity reduction process in the industry has gained momentum in 2009. AML has moved to survive the industry slow down by further reducing its operating cash outflow. Trials for several of our alloys have been either cancelled or postponed and the business travel budget has been reduced by over 50%.

We are confident of reducing our monthly operating cash spend to under \$150,000 for calendar 2009 while at the same time maintaining an active market presence.

Advanced Magnesium Limited

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Sydney, NSW 2000 Australia

Tel: +61 2 9221 3274
Fax: +61 2 9233 7265
Website: www.am-technologies.com.au
Email: corporate@am-technologies.com.au

Issued Capital (as at 31 December 2008)

Ordinary Shares (ASX Code ANM)
92,589,103 fully paid Ordinary shares on issue

Unlisted Securities

Unlisted Options	Number	Grant Date	Expiry Date	Exercise Price \$
Employee Share Option Plan	381,875	13 Oct 2005	13 Oct 2010	\$0.31

Substantial Shareholders

Independent Directors (as at 31 December 2008)

Nicholas Andrews
Non-Executive Director

Michael Brown
Non-Executive Director

Major Shareholders	No. of shares	Percent
Citicorp Nominees Pty Limited	9,610,488	10.38%

Management Team

Stuart Fitton
Executive Chairman

John Talbot
Chief Financial Officer

Company Secretaries

Stuart Fitton
John Talbot

Share Registry Services

Link Market Services
Level 12, 300 Queen Street
Brisbane, QLD 4000

Postal:
Locked Bag A14,
Sydney South, NSW 1235

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Fax: +61 2 9287 0309

Website: www.linkmarketservices.com.au

The current share price can be obtained from the ASX Website: www.asx.com.au

Appendix 4C

Quarterly Report

Introduced 31/3/2000. Amended 30/9/2001.

Name of entity

Advanced Magnesium Limited

ABN

51 010 441 666

Quarter ended ("current quarter")

31-Dec-08

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A	Year to date (6 months) \$A
1.1	Receipts from sales and related debtors excl. GST	\$33,220	\$38,038
1.2	Payments for (a) Marketing & Sales	(\$361,612)	(\$737,409)
	(b) Production Process unit	(\$49,068)	(\$139,445)
	(c) Finance, accounting and regulatory	(\$231,676)	(\$421,769)
	(d) Patents and licence protection	(\$24,895)	(\$55,123)
	(e) Premises, telecoms & other administration	(\$64,946)	(\$126,254)
	(f) Cost of sales and inventory	\$0	\$0
	(g) Prior year incurred expenses	\$0	(\$1,109)
	(h) Retrenchments and termination	\$0	(\$154,151)
1.3	Dividends received	\$0	\$0
1.4	Interest and other items of a similar nature received	\$32,374	\$101,284
1.5	Interest and other costs of finance paid	\$0	\$0
1.6	Foreign income tax & GST effects	\$49,185	\$19,224
1.7	Sublet rental income	\$8,795	\$16,380
1.8	Foreign Exchange differences	\$9,202	\$16,871
1.9	Other	(\$22,148)	(\$6,370)
	Net operating cash flows	(\$621,571)	(\$1,449,832)

+ See chapter 19 for defined terms

		Current quarter \$A	Year to date (6 months) \$A
Cash flows related to investing activities			
1.8	Payment for purchases of fixed assets	6,271	1,105
1.9	Proceeds from disposal of fixed assets	—	—
1.10	Loans to other entities	—	—
1.11	Loans repaid by other entities	—	—
1.12	Other	—	—
Net investing cash flows		6,271	1,105
Cash flows related to financing activities			
1.13	Net proceeds from issues of shares, options, etc.	—	—
1.14	Proceeds from borrowings	—	—
1.15	Repayment of borrowings	—	—
1.16	Other	—	—
Net financing cash flows		—	—
Net increase (decrease) in cash held		(\$621,571)	(\$1,449,832)
1.17	Cash at beginning of quarter/year to date	\$2,167,865	\$2,996,126
1.18	Cash at end of quarter/year to date	\$1,546,294	\$1,546,294

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A
1.19	Aggregate amount of payments to the parties included in item 1.2	\$54,153
1.20	Aggregate amount of loans to the parties included in item 1.10	-

1.21 Explanation necessary for an understanding of the transactions

+ See chapter 19 for defined terms

Non-cash financing and investing activities

2.1 Details of financing and investing transactions in the quarter which have had a material effect on consolidated assets and liabilities but did not involve cash flows.

NIL

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest.

NIL

Financing facilities available

		Amount available \$A	Amount used \$A
3.1	Loan facilities	NIL	NIL
3.2	Credit standby arrangements	NIL	NIL

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A	Previous quarter \$A
4.1 Cash on hand and at bank	\$545,451	\$333,191
4.2 Deposits at call	\$843	\$25,089
4.3 Bank overdraft	—	—
4.4 Other – Bank bills & Term deposits	\$1,000,000	\$1,809,685
Total: cash at end of quarter (item 1.19)	\$1,546,294	\$2,167,865

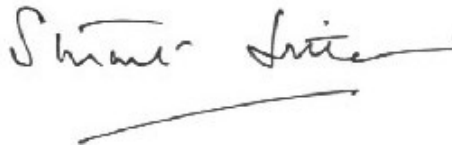
Acquisitions and disposals of business entities

		Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1	Name of entity	NIL	NIL
5.2	Place of incorporation or registration	NIL	NIL
5.3	Consideration for acquisition or disposal	NIL	NIL
5.4	Total net assets	NIL	NIL
5.5	Nature of business	NIL	NIL

+ See chapter 19 for defined terms

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act 2001 (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

Date: 23 January 2009
Chief Executive
Advanced Magnesium Limited

Print name: Mr Stuart Fitton

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The definitions in, and provisions of, *AASB 107: Cash Flow Statements* apply to this report except for the paragraphs of the Standard set out below.
- Aus20.1 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 39 - 42 - itemised disclosure relating to acquisitions and disposals
 - 48 - 52 - disclosure of restrictions on use of cash
- 3 Accounting Standards. ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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