



**Advanced
Magnesium**
Limited

31 January 2008

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

Dear Sirs,

RE: APPENDIX 4C – QUARTERLY REPORT

Please find attached Appendix 4C for quarter ended 31 December 2007.

Yours faithfully,

PK Nair
Company Secretary



QUARTERLY CASHFLOW - APPENDIX 4C

for the Period Ended 31 December 2007

ACTIONS IN THE QUARTER ENDED 31 DECEMBER 2007

At quarter's end, AM-lite electroplating trials were proceeding well at one of our partner diecasters/electroplaters in China. This success was continued into the 2008 calendar year and we are hopeful that they will achieve accreditation and move into commercial production of AM-lite parts towards the end of March. We have put on hold indefinitely trials at our other former major diecaster in China. This is due to a number of factors including the significantly reduced cost advantage of magnesium parts over zinc parts. We have succeeded in 'fast tracking' a replacement partner diecaster/electroplater which we expect to be accredited in February 2008. It is a medium sized operator in the 3C's market where we believe AM-lite's light weight and superior surface finish advantages will make it a competitive material.

AM-lite diecasting and electroplating trials are scheduled in Japan and Europe over the next month and we remain hopeful that small tonnage commercial contracts will result from these trials.

A concerted effort in marketing of AM-HP2 plus to diecasters, Tier 1's and OEM's particularly in Europe has had positive results. Beta testing in Europe, scheduled for November/December has been delayed to February 2008 due to our two partner die casters operating at full capacity.

We are beginning to see a pick up of interest in AM-cover which we are hopeful will result in contracts during the balance of this financial year.

Gross operating cash flow (net of redundancy payments and sales receipts) for the quarter was just under \$1,000,000 or \$333,000 per month. Further operating cash cost reductions will be made in the March 2008 quarter such that the monthly operating outflow will be of the order of \$280,000. However, these savings will only flow through in the June 2008 quarter as for the March quarter, the operating cash savings will be largely offset by redundancy payments.

We expect to reduce our head office lease rental cost by approximately \$6,000 per month by moving to smaller offices. We are presently negotiating an assignment agreement for the lease of our head office. It is expected that the lease assignment will result in a substantial up front payment to the company.

On the basis of the foregoing, the company will have sufficient cash available to continue its efforts to commercialise its magnesium alloys for over 12 months from the end December 2007.

Advanced Magnesium Limited

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 Registered & Principal Office:
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 Milton, QLD 4064 Australia
 PO Box 1364, Milton BC
 QLD 4064 Australia

Tel: +61 7 3510 4400
Fax: +61 7 3510 4525
Website: www.am-technologies.com.au
Email: corporate@am-technologies.com.au

Independent Directors (as at 31 December 2007)

Greg Ralph
Non-Executive Director

Nicholas Andrews
Non-Executive Director

Michael Brown
Non-Executive Director

Management Team

Stuart Fitton
Executive Chairman

Gordon Dunlop
Chief Operating Officer

Prem Nair
General Manager Corporate

Christian Kettler
General Manager (Europe)

Tom Sweder
General Manager (North America)

Company Secretaries

Stuart Fitton
 Prem Nair

Issued Capital (as at 31 December 2007)

Ordinary Shares (ASX Code ANM)
 88,689,103 fully paid Ordinary shares on issue

Unlisted Securities

Unlisted Options	Number	Grant Date	Expiry Date	Exercise Price \$
Employee Share Option Plan	2,570,650	13 Oct 2005	13 Oct 2010	\$0.31
Pegasus Corporate Finance	400,000	7 Oct 2005	7 Oct 2008	\$0.25

Substantial Shareholders

Major Shareholders	No. of shares	Percent
Orbis Global Equity Fund limited	16,059,519	18.76%
Acorn Capital Limited	6,175,720	7.22%
Talisman Global Macro Master Fund	4,933,333	5.77%

Share Registry Services

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

Postal:
 Locked Bag A14,
 Sydney South, NSW 1235

Tel: 1300 554 474 or
International: +61 2 8280 7111
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

Rule 4.7B

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 December 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A	Year to date (6months) \$A
1.1 Receipts from sales and related debtors incl. GST	61,316	95,954
1.2 Payments for		
(a) Marketing & Sales	(329,381)	(663,401)
(b) Production Process unit	(395,777)	(730,970)
(c) Finance, accounting and regulatory	(205,267)	(397,908)
(d) Patents and licence protection	(70,776)	(91,322)
(e) Premises, telecoms, FX & administration	(96,935)	(122,998)
(f) Cost of sales and inventory	(2,958)	(2,958)
(g) Prior year incurred expenses	-	(171,411)
(h) Retrenchments and termination	(21,687)	(326,356)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	109,799	175,520
1.5 Interest and other costs of finance paid	-	-
1.6 Foreign income taxes paid	(6,986)	(11,975)
1.7 Sublet rental income	7,239	18,020
1.8 Other receipts	-	284
Net operating cash flows	(951,413)	(2,229,521)

+ See chapter 19 for defined terms.

	Current quarter \$A	Year to date (6months) \$A
Cash flows related to investing activities		
1.8 Payment for purchases of fixed assets	—	—
1.9 Proceeds from disposal of fixed assets	390	1,520
1.10 Loans to other entities	—	—
1.11 Loans repaid by other entities	—	—
1.12 Other	—	—
Net investing cash flows	390	1,520
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	(951,023)	(2,228,001)
1.17 Cash at beginning of quarter/year to date	5,287,781	6,564,759
1.18 Cash at end of quarter/year to date	4,336,758	4,336,758

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	36,188
1.20 Aggregate amount of loans to the parties included in item 1.10	-

1.21 Explanation necessary for an understanding of the transactions

At the AGM on 28 September 2007, shareholders approved a proposal to pay non-executives directors' fees via share based payments. The superannuation related to their fees is an employee related cost payable in cash by the employer and amounted to \$3,488 for the quarter. The Executive Chairman is paid a component of his remuneration in cash which amounted to \$32,700 for the quarter and the balance in Company shares.

+ 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	401,463	319,690
4.2 Deposits at call	685,295	1,718,091
4.3 Bank overdraft	—	—
4.4 Other – Bank bills & Term deposits	3,250,000	3,250,000
Total: cash at end of quarter (item 1.19)	4,336,758	5,287,781

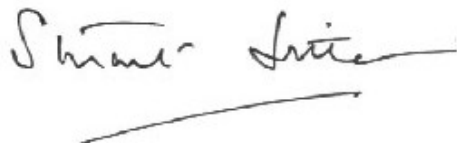
Acquisitions and disposals of business entities

	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: 31 January 2008
Executive Chairman
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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