



**Advanced
Magnesium**
Limited

31 October 2007

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 30 September 2007.

Yours faithfully,

PK Nair
Company Secretary



QUARTERLY CASHFLOW - APPENDIX 4C

for the Period Ended 30 September 2007

ACTIONS IN THE QUARTER ENDED 30 SEPTEMBER 2007

The quarter ended September 30, 2007 was one of intense activity focussed on initiatives to commercialise AM-lite and develop OEM interest in AM-HP2plus.

Key initiatives pursued in the quarter were:

- **Accreditation of partner AM-lite diecasters and electroplaters in China, Japan and Europe:**

The need to institute an accreditation process for prospective partner manufacturers (diecasters and electroplaters) is critical for the commercial success of AM-lite. Our technical experts have developed diecasting and electroplating processes for AM-lite which ensure that defect free, high quality AM-lite products are manufactured for OEM customers at the lowest possible cost. We insist on adherence to our processes to ensure that the reputation of AM-lite as a material for quality products is developed and continually enhanced.

Two companies in China which are both diecasters and electroplaters will be accredited early in November 2007. We expect that a further two in China will be accredited in early calendar year 2008. We will accredit two diecasters in Europe and one in Japan by 2007 calendar year end.

- **Marketing of AM-lite to OEMs:**

We are presently running or about to commence trials of AM-lite for AM-lite products in China, Europe, Japan and Malaysia. These trials are being run on behalf of both existing OEM customers' of diecasters and new OEM customers generated through AML's marketing efforts.

The emphasis of our AM-lite marketing strategy is switching from zinc substitution based on AM-lite's cost advantage to focusing on OEMs seeking a lighter weight material for their products. This has resulted in our marketing efforts being directed more to 3C's (cameras, cell phones, computers) and automobile (including motorcycles) OEMs. We are currently running AM-lite trials for a number of OEMs from these sectors.

- **Negotiating and agreeing conditions and timing for beta testing of AM-HP2plus and marketing its properties and uses to probable OEM users:**

AM-HP2plus is the name that we are presently giving to the improved diecastability version of AM-HP2. The alloy has excellent creep properties and we have generated considerable interest with several European and Japanese auto (including motorcycle) OEMs.

We are commencing industrial scale beta trials with a major European diecaster in November. A second diecaster in Europe has also indicated strong interest in conducting beta trials.

We have started discussions with possible AM-HP2plus beta testing diecasters in Japan and USA.

The Company remains confident that its suite of magnesium alloys will prove to be commercially successful. However, it is recognised that commercial viability has to be achieved within the Company's present capital resources. As at September 30, AML's cash resources were \$5.29 million reflecting a net use of cash of \$1.3 million in the quarter. Eliminating "one off" payments, AML's present cash burn rate of approximately \$325,000/month is slightly below budgeted cash spend. The Company's cash resources at the present rate of spending will be sufficient to prove, or otherwise, both the commercial viability of AM-lite and the market potential for AM-HP2plus.

Advanced Magnesium Limited

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 Milton, QLD 4064 Australia
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 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 30 September 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
 & Company Secretary*

Christian Kettler
General Manager (Europe)

Tom Sweder
General Manager (North America)

Issued Capital (as at 30 September 2007)

Ordinary Shares (ASX Code ANM)
 85,581,292 fully paid Ordinary shares on issue

Unlisted Securities

Unlisted Options	Number	Grant Date	Expiry Date	Exercise Price \$
Resource Capital Funds	3,313,273	29 Nov 2004	29 Nov 2007	\$0.70
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")

30 September 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A	Year to date (3 months) \$A
1.1 Receipts from sales and related debtors incl. GST	34,639	34,639
1.2 Payments for		
(a) Marketing & Sales	(334,019)	(334,019)
(b) Production Process unit	(335,193)	(335,193)
(c) Finance, accounting and regulatory	(192,641)	(192,641)
(d) Patents and licence protection	(20,546)	(20,546)
(e) Premises, telecoms & other administration	(26,065)	(26,065)
(f) Cost of sales and inventory	-	-
(g) Prior year incurred expenses	(171,411)	(171,411)
(h) Retrenchments and termination	(304,669)	(304,669)
1.3 Dividends received	—	—
1.4 Interest and other items of a similar nature received	65,721	65,721
1.5 Interest and other costs of finance paid	—	—
1.6 Foreign income taxes paid	(4,989)	(4,989)
1.7 Sublet rental income	10,781	10,781
1.8 Other receipts	284	284
Net operating cash flows	(1,278,108)	(1,278,108)

+ See chapter 19 for defined terms.

	Current quarter \$A	Year to date (3 months) \$A
Cash flows related to investing activities		
1.8 Payment for purchases of fixed assets	—	—
1.9 Proceeds from disposal of fixed assets	1,130	1,130
1.10 Loans to other entities	—	—
1.11 Loans repaid by other entities	—	—
1.12 Other	—	—
Net investing cash flows	1,130	1,130
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	(1,276,978)	(1,276,978)
1.17 Cash at beginning of quarter/year to date	6,564,759	6,564,759
1.18 Cash at end of quarter/year to date	5,287,781	5,287,781

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	218,355
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. 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. The former Managing Director resigned on 9 July 2007 and was paid \$182,167 comprising his unused accrued leave balance and employer related costs.

+ 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	319,690	463,938
4.2 Deposits at call	1,718,091	2,350,821
4.3 Bank overdraft	—	—
4.4 Other – Bank bills & Term deposits	3,250,000	3,750,000
Total: cash at end of quarter (item 1.19)	5,287,781	6,564,759

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 October 2007
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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