



**Advanced
Magnesium**
Limited

20 April 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 31 March 2007.

Yours faithfully,

PK Nair
Company Secretary

Advanced Magnesium Limited

Level 9, 303 Coronation Drive, Milton · PO Box 1364, Milton BC, QLD 4064, Australia

Phone: +61 (0) 7 3510 4400 · **Fax:** +61 (0) 7 3510 4525

Email: corporate@am-technologies.com.au · **Web:** www.am-technologies.com.au · **ABN:** 51 010 441 666



QUARTERLY CASHFLOW - APPENDIX 4C

for the Period Ended 31 March 2007

QUARTERLY REPORT - 31 MARCH 2007

Overview

- 5 key customers in latter stages of pre-production trials
- Anticipate some of these customers to commence commercial production in June 2007
- Major Chinese contract development program close to finalisation
- Manufacturing issues caused 6 month delay in commercialisation schedule – now largely resolved
- Commercial potential for AM-lite® continues to attract new interest
- Pipeline of products for conversion to AM-lite is strong and growing

Advanced Magnesium has made further strides over the last 3 months towards commercialisation of its proprietary, magnesium based decorative alloy AM-lite®. While the Company was disappointed that the production schedule for a mobile phone for a global OEM was put on hold, its other development programs continue to make solid progress.

Over the next six months it is expected that AM-lite will be diecast in commercial applications in new projects in Asia, North America and Europe. The focussed implementation strategy of providing technical support to key customers in order to develop specific commercial applications for AM-lite continues. Six months ago we identified 9 development partners, (3 in each region - Asia Pacific, Europe and North America) and each of these alliances has led to development programs for a range of diverse new products across each of our target sectors in automotive, motorcycles, electronics, hardware and sanitary ware.

The Company remains confident the commercial potential of AM-lite will be realised and will lead to significant commercial orders this year. The results of all the trials and tests to date have confirmed the technical specifications and commercial opportunities that AM-lite offers to manufacturers over a wide selection of diecast applications. The implementation of manufacturing technology has been more challenging than originally forecast, and the program is running approximately six months behind schedule. This has not impaired the prospects of AM-lite nor the commercial opportunity it offers to customers around the World.

Commercial product schedule update

AM-lite has been selected and approved by a large US OEM for inclusion in its latest model vehicle to be released mid 2007. AM-lite allows the OEM to produce the three selected components with significant weight, cost and quality advantages over its current version of those components. Advanced Magnesium has worked closely with Lunt Manufacturing, one of the largest magnesium diecasting component suppliers in North America, since last year to ensure these new components meet the required exacting standards for quality and performance. The parties have also worked closely with Master Finish Company to launch the new MacDermid Bondal Mg® electroplating technology that enables a high quality electroplated surface finish to be applied to the new components. These parts are currently going through the final stages of the Production Approval Process and no issues are currently foreseen that could impact on program timing.

The resolution of the last of the commissioning issues of the new Bondal Mg technology at Master Finish has also cleared the way for Advanced Magnesium's other key customers in North America to accelerate their AM-lite development programs. These programs were disrupted by minor, but important, quality issues with the commissioning of the new electroplating technology. These problems resulted in the programs running between four to six months behind schedule. With these problems behind us, North American customers are now indicating that they expect to see significant development activity in the coming months.

The most advanced of the European alliances is with the Italian group, Walmecc. There are now nine European OEMs or Tier 1s, who are in late stage discussions with Walmecc or, who have issued requests for quotation for new AM-lite applications. The first two of these new development programs are currently undergoing prototype testing of the new AM-lite parts, prior to final acceptance by the relevant OEMs. If successful, first commercial production of these parts is anticipated mid 2007.

The largest of Advanced Magnesium's product development programs is with a large Chinese manufacturer of electroplated kitchen and sanitary ware products for well known North American and European OEMs. This program was held up for almost four months due to commissioning problems with the customer's newly installed, locally built magnesium diecasting machine.

The machine was finally made operational by the equipment supplier in January 2007 and by March the Advanced Magnesium technical team had achieved manufacturing acceptance quality and production cost targets for the new AM-lite castings. Work is now focusing on achieving acceptable electroplating quality using the Bondal Mg electroplating process in the customer's in-house electroplating facility as a condition precedent to the finalisation of the associated sales contract for 4000 tonnes of AM-lite in the first twelve months of manufacturing.

It is reassuring to know that the same castings from this customer have been successfully electroplated at facilities using the Bondal Mg process in Australia, North America and Europe, but it has taken time to fine tune and optimise each new electroplating facility. There are always different operating practices and minor differences in local conditions and electroplating chemical supplies which have impacted the final result. These differences need to be identified and resolved to achieve the exacting quality standards required for high volume commercial production.

In each of the development programs, Advanced Magnesium works closely with the diecasters (our customers), the Original Equipment Manufacturers (OEMs), (the diecasters' customers) and the electroplaters. These cooperative development

programs require considerable effort by all parties concerned. Each of the individual development programs are at different stages of evolution.

The main objective of these programs is to achieve Quality Acceptance by the OEM for the part in question, so that it can be released for high volume commercial manufacture and sale to its customers. Our customers make a significant commitment to interrupt their production programs when they undertake to move from development to production trials. These programs can often be very disruptive to their normal manufacturing operations. In most cases, Advanced Magnesium has to adjust its schedules to work in with the customer's manufacturing schedules when development work is being undertaken. The product development process also generally includes having diecast parts electroplated by external electroplating service providers. Despite the manufacturing problems our customers face with the commissioning of AM-lite applications, Advanced Magnesium has been able to provide excellent technical support to all our priority customers in the resolutions of any issues that arise.

Advanced Magnesium remains confident the commercial potential of AM-lite will become broadly accepted and will lead to significant commercial orders this year.

Advanced Magnesium Limited

ABN: 51 010 441 666
 Registered & Principal Office
 Level 9, 303 Coronation Drive
 Milton, QLD 4064 Australia
 PO Box 1364, Milton BC
 QLD 4064 Australia

Tel: +61 7 3510 4410
Fax: +61 7 3510 4525
Website: www.am-technologies.com.au
Email: corporate@am-technologies.com.au

Independent Directors (as at 31 March 2007)

Chris Rawlings
Non-Executive Chairman

Denis Byrne
Non-Executive Director

Ken Williams
Non-Executive Director

Management Team

Ian Hartnell
Managing Director

Prem Nair
General Manager Corporate & Company Secretary

Gordon Dunlop
General Manager Technology Development

Greg Fotheringham
General Manager (Asia Pacific)

Christian Kettler
General Manager (Europe)

Tom Sweder
General Manager (North America)

Issued Capital (as at 31 March 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 2008	7 Oct 2008	\$0.25

Substantial Shareholders

Major Shareholders	No. of shares	Percent
Orbis Global Equity Fund limited	16,059,519	18.77%
Acorn Capital Limited	5,286,360	6.18%

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.

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 March 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A	Year to date (9 months) \$A
1.1 Receipts from sales and related debtors incl. GST	145,200	339,233
1.2 Payments for		
(a) Salaries: global marketing team	(328,409)	(1,096,660)
(b) Salaries: research and development	(153,889)	(389,854)
(c) Salaries: administration, corporate, directors and finance	(301,688)	(983,860)
(d) Marketing	(272,149)	(725,349)
(e) Research and development	(121,146)	(365,894)
(f) Legal, patent, licence, and related	(128,712)	(353,737)
(g) Corporate and compliance	(194,600)	(658,671)
(h) Cost of Sales and inventory	(243,598)	(271,986)
(i) Overheads, telecoms and IT	(76,830)	(333,943)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	168,575	595,774
1.5 Interest and other costs of finance paid	-	-
1.6 Foreign income taxes paid	-	(31,405)
1.7 Other receipts	67	7,570
Net operating cash flows	(1,507,179)	(4,268,782)

+ See chapter 19 for defined terms.

	Current quarter \$A	Year to date (9 months) \$A
Cash flows related to investing activities		
1.8 Payment for purchases of fixed assets	(6,966)	(42,321)
1.9 Proceeds from disposal of fixed assets	44,960	193,649
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
Net investing cash flows	37,994	151,328
Cash flows related to financing activities		
1.13 Net proceeds from issues of shares, options, etc.	-	23,250
1.14 Proceeds from borrowings	-	-
1.15 Repayment of borrowings	-	-
1.16 Other	-	-
Net financing cash flows	-	23,250
Net increase (decrease) in cash held	(1,469,185)	(4,094,204)
1.17 Cash at beginning of quarter/year to date	9,484,121	12,109,140
1.18 Cash at end of quarter/year to date	8,014,936	8,014,936

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	123,656
1.20 Aggregate amount of loans to the parties included in item 1.10	-

1.21 Explanation necessary for an understanding of the transactions

During the quarter, payments included directors' fees, committee fees and executive director's remuneration. Reimbursements of expenses are not included.

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

+ See chapter 19 for defined terms.

- 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	763,228	530,715
4.2 Deposits at call	3,501,708	2,703,406
4.3 Bank overdraft	-	-
4.4 Other – Bank bills & Term deposits	3,750,000	6,250,000
Total: cash at end of quarter (item 1.19)	8,014,936	9,484,121


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: 20 April 2007
Managing Director
Advanced Magnesium Limited

Print name: Ian D. Hartnell

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.

== == == == ==