



**Advanced
Magnesium**
Limited

17 October 2006

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 2006.

Yours faithfully,

PK Nair
Company Secretary

Advanced Magnesium Limited

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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 2006

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	86,130	86,130
1.2 Payments for		
(a) Salaries: global marketing team	(359,238)	(359,238)
(b) Salaries: research and development	(122,970)	(122,970)
(c) Salaries: directors, corporate, redundancies and other	(354,786)	(354,786)
(d) Marketing	(220,371)	(220,371)
(e) Research and development	(148,762)	(148,762)
(f) Legal, patent, licence, and related	(95,055)	(95,055)
(g) Corporate and compliance	(178,067)	(178,067)
(h) Cost of Sales and inventory	(27,490)	(27,490)
(i) Overheads, telecoms and IT	(146,703)	(146,703)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	125,050	125,050
1.5 Interest and other costs of finance paid	-	-
1.6 Foreign income taxes paid	(8,128)	(8,128)
1.7 Other receipts	7,283	7,283
Net operating cash flows	(1,443,107)	(1,443,107)

+ 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	(35,355)	(35,355)
1.9 Proceeds from disposal of fixed assets	134,648	134,648
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
Net investing cash flows	99,293	99,293
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	(1,343,814)	(1,343,814)
1.17 Cash at beginning of quarter/year to date	12,109,140	12,109,140
1.18 Cash at end of quarter/year to date	10,765,326	10,765,326

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	654,685	659,357
4.2 Deposits at call	2,760,641	1,861,607
4.3 Bank overdraft	-	-
4.4 Other – Bank bills & Term deposits	7,350,000	9,588,176
Total: cash at end of quarter (item 1.19)	10,765,326	12,109,140


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: 17 October 2006
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.

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