



Advanced
Magnesium
Limited

QUARTERLY CASHFLOW - APPENDIX 4C

for the Period Ended 31 March 2008

ACTIONS IN THE QUARTER ENDED 31 MARCH 2008

The gross cash spend in the quarter to March 31st 2008 was \$1,062,615 (refer row 6 in the table below). Eliminating non operating cash out flows - including “one off” items such as redundancy payments (\$200,000) and office moving costs (\$32,556) – resulted in quarterly operating expenditure of \$810,381 (row 1 in table below).

Cash receipts (rows 7 to 10 in table below) including a one off payment to Advanced Magnesium Limited (AML) on termination of the Brisbane office lease (\$275,000) resulted in net cash spend of \$660,847.

Cash Out	
1 Regular operating expenditure	(\$810,381)
2 Capital expenditure associated with relocation to Sydney	(\$12,722)
3 Extraordinary expenditure on revenue account associated with relocation to Sydney	(\$19,834)
	(\$32,556)
4 Redundancy payments	(\$200,000)
5 Stock purchases	(\$19,678)
6 Total Cash Out	(\$1,062,615)
Cash In	
7 Interest	\$98,891
8 Lease assignment of residual term on premises at Milton Qld	\$275,000
9 Tax - paid and rebated	\$2,673
10 Product Sales	\$25,204
Total Cash In	\$401,768
11 Total net cash out	(\$660,847)

We have taken out virtually all non essential costs in the business such that we are now projecting an average net operating cash spend per month of \$260,000. This amount however, will be increased by one off payments made to die casters and European automobile Tier 1s to enable the acceleration of AM-HP2 plus trials in Germany.

This significantly reduced cash burn rate has given us additional flexibility in being able to increase our marketing efforts and acceleration of alloy testing programs.

In the balance of this report I will outline, amongst other things, the status of those tests and endeavour to give shareholders a good sense of how likely AML is to achieve commercial viability over the next 12 months.

AML, although an ASX listed company will generate all of its sales offshore, and in this report I will provide details of our activities on a market-by-market basis rather than by product.

China

We have built up a most credible and potentially valuable presence in China. A high percentage of the world's magnesium die casting is carried out in China. China also produces nearly 80% of the world's primary magnesium. AML's Shanghai office is headed up by a mandarin speaking Chinese employee. The Shanghai office, with the support of regular visits by the Chief Executive, Chief Operating Officer and Australian based technicians, has developed a world class manufacturing capacity for AM-lite products with partner die casters and electroplaters. The collaboration between AML and its Chinese AM-lite production partners is very strong.

We are now negotiating with a number of US and Japanese brand name manufacturers of cameras, cell phones and computers (3c's) to have them switch both their material to AM-lite and production of their products to our partners in China. This strategy has resulted in some success with several Japanese and iconic US 3c's brand name now trialing their products produced with AM-lite with our Chinese partners.

We made the decision to de-emphasise zinc replacement with AM-lite in September 2007. We refocused our efforts on having AM-lite used for products where light weight and quality surface finish are paramount. As stated above, this strategy is now beginning to bear fruit.

It must be emphasised that AM-lite, whilst having the potential to produce a steady cash flow is not likely to be highly profitable. Pricing pressures, largely due to the 64% rise in the price of primary magnesium since mid 2007 has meant that our margins have been cut. In the current environment we would need to sell over 10,000 tonnes of AM-lite per annum to cover our current annual operating cash spend.

China will become increasingly important to us as we build our AM-HP2 plus and AM-EX1 marketing presence. The rapidly growing China automobile sector will be our main target market for these alloys. We are also hopeful AM-cover will achieve increased market penetration in China where SF₆ still remains the preferred cover gas. However, a number of environmentally responsible die casters are now giving serious consideration to replacing SF₆ with AM-cover.

USA

The USA has been our biggest disappointment in regards to developing a partner die casting and electroplating capability. We have cut back our presence there reflecting the diminished magnesium die casting capacity in the USA and the fact that many OEMs have moved their production base to China. The focus has switched to marketing AM-lite and increasingly AM-HP2 plus and AM-EX1 to US OEMs. We have had some success with AM-lite as mentioned in the comments in the China section. AM-HP2 plus and AM-EX1 have much longer lead times as regards achieving marketing breakthroughs. It should also be noted that we are presently supporting a US automotive manufacturer's testing of AM-SC1 in China.

Japan

A concerted marketing effort in Japan has resulted in that country becoming a highly prospective market for AML's full suite of alloys and AM-cover.

As previously stated we are presently trialing AM-lite, moving quite rapidly to win a contract with a major Japanese die caster for the 3c's industries. The die caster is seeing very real interest from its OEM customers in switching from their present material to AM-lite. We have not developed an electroplating presence in Japan, deciding instead to persuade our Japanese die casting partner to ship to China for electroplating.

The quality of the Japanese die casting is of the highest standard and our Japanese die caster partner has been equally impressed by the excellent electroplating of its parts by one of our Chinese electroplating partners. This collaborative approach between our people in the different regions is helping us win business and the success of this particular relationship obviates the need for us to develop an electroplating capacity in Japan.

Europe

We presently have three AM-HP2 plus trials either underway or about to commence in Europe. These trials are being performed by die caster suppliers to major automobile companies. In one case, the trial will be performed with the auto manufacturer itself.

The AM-HP2 plus trials will involve AML in making payments in the aggregate of around EUR60,000 as part of a cost sharing agreement with the die casters and automobile manufacturers. In addition these payments have enabled us to guarantee early trial time slots with the die casters. When the trials are completed, tests on the die cast parts will be performed by AML, CAST, the die casters, Tier 1's and the auto manufactures. This is likely to be a fairly lengthy process.

We are hopeful that both AM-cover and AM-converter will generate revenues of the order of EUR50, 000 plus over the next three months.

We will commence AM-lite trials with a Spanish die caster in late April and are hopeful of immediate small tonnage sales of AM-lite.

In a longer time frame, a major European automobile manufacturer will be trialing and testing AM-lite for interior parts for its top of the line model to be released in late 2009.

Advanced Magnesium Limited

ABN: 51 010 441 666
Registered & Principal Office:
Suite 5 Level 4, 350 George St
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

Independent Directors (as at 31 March 2008)

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

John Talbot
Chief Financial Officer

Christian Kettler
General Manager (Europe)

Tom Sweder
General Manager (North America)

Company Secretaries

Stuart Fitton
John Talbot

Issued Capital (as at 31 March 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

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-Mar-08

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date (9 months)
		\$A	\$A
1.1	Receipts from sales and related debtors excl. GST	\$25,204	\$121,158
1.2	Payments for (a) Marketing & Sales	(\$177,807)	(\$733,317)
	(b) Production Process unit	(\$344,233)	(\$1,009,746)
	(c) Finance, accounting and regulatory	\$84,038	(\$442,372)
	(d) Patents and licence protection	(\$66,586)	(\$157,907)
	(e) Premises, telecoms & other administration	(\$80,872)	(\$231,319)
	(f) Cost of sales and inventory	-	-
	(g) Prior year incurred expenses		(\$171,411)
	(h) Retrenchments and termination	(\$200,000)	(\$526,356)
1.3	Dividends received	—	—
1.4	Interest and other items of a similar nature received	\$98,891	\$274,411
1.5	Interest and other costs of finance paid	—	—
1.6	Foreign income tax & GST effects	\$518	(\$11,457)
1.7	Sublet rental income	\$0	\$17,454
1.8	Foreign Exchange differences		(\$16,986)
	Net operating cash flows	(\$660,848)	(\$2,887,849)

+ 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	—	—
1.9	Proceeds from disposal of fixed assets	\$275,000	\$276,462
1.10	Loans to other entities	—	—
1.11	Loans repaid by other entities	—	—
1.12	Other	—	—
Net investing cash flows		\$275,000	\$276,462
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		(\$660,848)	(\$2,887,849)
1.17	Cash at beginning of quarter/year to date	\$4,337,758	\$6,564,759
1.18	Cash at end of quarter/year to date	\$3,676,910	\$3,676,910

**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	\$32,700
1.20	Aggregate amount of loans to the parties included in item 1.10	-

1.21 Explanation necessary for an understanding of the transactions

The Head Office of the company was relocated to Sydney on 1 March 2008 and an Office in Brisbane is now maintained at the Queensland University. The net ongoing effect of this is to reduce rent by \$5,920 per month. Additionally, assignment of the unexpired lease on the company's former premises at Coronation Drive Milton yielded a one of benefit of \$275,000 (applied as a sale of fixed assets). This more than covered relocation expenses of approximately \$50,000. Further rationalisation of personnel costs during the quarter achieved a reduction of \$37,000 in monthly payroll.

+ 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	\$303,920	\$354,301
4.2 Deposits at call	\$622,991	\$733,457
4.3 Bank overdraft	—	—
4.4 Other – Bank bills & Term deposits	\$2,750,000	\$3,250,000
Total: cash at end of quarter (item 1.19)	\$3,676,910	\$4,337,758

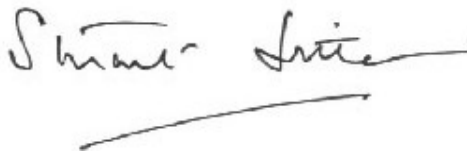
Acquisitions and disposals of business entities

	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:

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Date: 18 April 2008
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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