

29 July 2004

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

Dear Sirs,

RE: ANNOUNCEMENT

Please find attached an Announcement in relation to:

❖ **AMC Quarterly Activities and Cash Flow Report for
3 Months Ended 30 June 2004 and Appendix 5B**

Yours faithfully,



P K Nair
COMPANY SECRETARY



Quarterly Activities and Cashflow Report **For the 3 months ended 30 June 2004**

Overview

Advanced Magnesium Technologies

- AMT continued its activities on commercialising a range of patented products.
- Programs continued on development of high temperature creep resistant alloys for automotive applications and extruded products.
- Progress continued in providing support services to the automotive sector.
- New agreement reached with a major group to provide technical support for the expansion of its magnesium diecasting facilities.

Queensland Magnesia Operations

- No lost time injuries were recorded at QMAG.
- Magnesite production of 164,692 tonnes, up 22.8% on previous quarter.
- Magnesia production of 48,025 tonnes, up 6.2% on previous quarter.
- Magnesia sales of 56,706 tonnes up 38.4% on previous quarter.

Magnesium Primary Production

- Stanwell plant site continued on care and maintenance.
- CSIRO research continued toward development of a lower capital cost AM Process.
- Activities associated with the termination of the Stanwell Magnesium Project were completed.

Corporate and Finance

- Cash balance of \$58.1 million (\$44.9 million in escrow) at 30 June 2004.
- QMAG debt repayment of \$2.25 million made in May 2004.
- The fifth payment for Distribution Entitled Securities was made on 24 May 2004.
- A Deed of Transfer and Release was executed on 6 July 2004. This Deed gives effect to the agreement negotiated in March 2004 under which the Government Stakeholders exit their position as secured creditors, extinguish AMC's debts, and retain certain assets, leaving the balance of assets for AMC to pursue its business strategy. Settlement of the Deed of Transfer and Release occurred on 27 July 2004.

Eric Kolatchew
Chief Executive Officer
29 July 2004

Advanced Magnesium Technologies (AMT)

During the quarter the AMT global team continued its activities of:

- Commercializing a range of patented products and technologies which it developed with the Cooperative Research Centre, CAST;
- Advancing the development of two new alloys;
- Continuing its longer term programs to develop applications for its high temperature creep resistant alloys for automotive applications and extruded products.

The US Environmental Protection Agency released its report during the quarter on trials that it had conducted on AM-cover and other cover gases for use in the diecasting of magnesium. These trials were conducted with the support of the Australian Greenhouse Office and found that greenhouse gas emissions were reduced by more than 99% when the AM-cover system was implemented instead of SF₆. Both AMC and CAST won recognition during the quarter for this new technology by receiving an Award for Excellence in Innovation at the Cooperative Research Centres Association annual conference. New commercial orders continue to be received for the AM-cover and AM-converter technology.

Progress continues to be made in providing support services to the automotive sector:

- Volvo has renewed its agreement for ongoing design support from AMT for the design and development of new magnesium applications;
- In-house work continues with VW to support its production of magnesium components;
- A new agreement was reached with a major group to provide technical support for the expansion of its magnesium diecasting facilities.

Significant progress was made during the quarter on the development of one of AMT's new alloys. Four industrial trials have now been completed with promising results and work is continuing.

AMT was also advised during the quarter that one of its alloys has been selected as the preferred alloy to be used in a major development program for engine blocks. Further details are likely to be released during the next quarter.

QMAG Kunwarara & Parkhurst Operations

QMAG – June 04 Quarter

Health, Safety and Environment: QMAG recorded no lost time injuries during the quarter. The 12 month rolling average LTIFR increased from 4.4 to 4.5 during the quarter. The 12 month rolling average TRCFR increased from 19.2 to 25.4 during the quarter.

* LTIFR is the number of lost time injuries per million hours worked. TRCFR is the number of total recordable injuries per million hours worked. Figures include employees and contractors.

Kunwarara Magnesite Production: Magnesite production was up 22.8% on the previous and up 52.4% on the same quarter the previous year. Quarterly production was the second highest on record and assisted by high plant availabilities and strong yields. Production for the 2003-04 financial year was 551,149 tonnes, up 23.2% on the previous year and the second highest on record.

Quarterly Kunwarara Production (tonnes)	Jun 03	Sep 03	Dec 03	Mar 04	Jun 04
Ore Mined	762,120	613,035	932,255	1,091,060	995,280
Beneficiated Magnesite Produced	108,079	105,666	146,673	134,118	164,692

Parkhurst Magnesia Production: Magnesia production at Parkhurst was up 6.2% on the previous quarter and up 6.6% on the same quarter the previous year. Production was assisted by reduced planned maintenance shutdowns and commencement of toll calcined magnesia production in Cement Australia's rotary kiln. Production for the 2003-04 financial year was a record 194,706 tonnes and up 7.6% on the previous year.

The briquetting plant was delivered to site and commissioning commenced during the quarter. First deliveries of product to customers will take place in the September quarter.

Quarterly Parkhurst Production (tonnes)	Jun 03	Sep 03	Dec 03	Mar 04	Jun 04
Deadburned magnesia (DBM)	23,921	28,521	27,591	24,853	27,388
Electrofused magnesia (EFM)	7,000	5,336	6,756	5,939	6,680
Calcined magnesia (CCM)	14,139	16,120	17,134	14,441	13,957
Total	45,060	49,977	51,481	45,223	48,025

Sales: Magnesia sales were up 38.4% on the previous quarter and up 22.1% on the same quarter the previous year. Sales were assisted by continued buoyant market conditions and a strong shipping programme. Sales for the 2003-04 financial year were 192,205 tonnes, up 11.5% on the previous year and the second highest on record.

A magnesite shipment took place in the June quarter with the next shipment scheduled for the December quarter.

Quarterly Magnesia Sales (tonnes)	Jun 03	Sep 03	Dec 03	Mar 04	Jun 04
Deadburned magnesia (DBM)	24,549	19,477	33,125	21,174	34,884
Electrofused magnesia (EFM)	7,923	4,976	5,404	7,732	6,614
Calcined magnesia (CCM)	13,966	15,733	15,822	12,056	15,208
Total magnesia sales	46,438	40,186	54,351	40,962	56,706
Magnesite sales	39,680	39,148	680	333	26,212
Total magnesia and magnesite sales	86,298	79,334	55,031	41,295	82,918

QMAG Outlook: The overall sales outlook remains positive with the current order book expected to keep the plant at above rated full capacity production levels for the next 6 months. The introduction of additional capacity through the briquetting plant at Parkhurst and toll production through Cement Australia should position the business for strong sales growth in the new financial year.

Magnesium Primary Production

Summary

- No incidents or injuries recorded at Stanwell or Gladstone.
- Maintenance of the Stanwell site continued together with final receipt of equipment for storage. All equipment that was available at the time of termination has now been delivered.
- The Gladstone demonstration plant demobilization has been completed, and the magnesium plant is under care and maintenance. Proprietary alloy casting operations have continued in the cast house.
- Lower capital intensity AM Process test work was continued by CSIRO during the quarter with a focus on pilot-scale production of process feed solids.

Stanwell Magnesium Project

The principal activity in relation to the Stanwell project has been the termination of all contracts, winding up of all agreements and, in conjunction with Leighton Contractors Pty Ltd, determining the disposition and value of all the assets, both emanating from the EPC contract, and from the owner's scope of work.

Apart from on-going maintenance of both the Stanwell and Gladstone sites, activities associated with the termination of Stanwell Magnesium Project were essentially completed by the end of the Quarter.

Principal Contractor Activities

Leighton Contractor's activities as part of the Joint Venture with AMO have been minimal during the past quarter. The Joint Venture has continued to maintain the site and preserve equipment.

A new Agreement with Leighton was negotiated to deal with the assets being retained by AMO for its future Business Cases as provided for in the Deed of Transfer and Release with the Government Stakeholders. With the execution of this Deed, the Joint Venture with Leighton has now been superseded.

AMO Other Activities

Testing of enhancements to the AM Process continued with CSIRO throughout the quarter. These enhancements have the potential of lowering the capital cost of primary electrolytic magnesium production to less than US\$10,000 per installed tonne per annum. While two options are under consideration, the focus remained on the more advanced work commenced in 2001 on the AM 2 Process.

Pilot plant equipment for preparation of the process feed at CSIRO and the University of Queensland was used to produce material for testing and for the determination of some of the process scale-up parameters. The material prepared is now undergoing further chemical reaction testing at CSIRO.

Corporate and Finance

Finance

The cash balance at 30 June 2004 was \$58.1 million (\$44.9 million in escrow).

QMAG made a scheduled debt repayment of \$2.25 million under the ANZ Facility Agreement in May 2004. The fully drawn limited recourse facility with ANZ now stands at \$60.75 million. The next scheduled repayment of \$2.25 million is due in August 2004. AMC is discussing a refinancing proposal with Newmont Mining Corporation (Newmont) and a third party investor to restructure QMAG's debt position on a more sustainable basis. In the meantime, the ANZ loan continues to be guaranteed by Newmont.

The fifth distribution payment, of 3.2 cents per Distribution Entitled Security was paid on 24 May 2004. The sixth and last distribution payment, of 3.2 cents per Distribution Entitled Security, is due to be paid on 23 November 2004.

Business Plan and Investment Strategy

Australian Magnesium Corporation Limited (AMC) and the Commonwealth and Queensland Governments negotiated a Deed of Transfer and Release giving effect to the agreement reached between the parties and announced on 25 March 2004.

The Deed of Transfer and Release (the Deed), and a concurrent agreement between AMC, ANZ Banking Group Limited and the Commonwealth Government, extinguishes AMC's debts owed to the Queensland Government and removes AMC's obligation to repay the Commonwealth Government guaranteed ANZ facility. The Deed also releases the Governments' security over all AMC assets. The Deed was executed on 6 July 2004 and settlement occurred on 27 July 2004.

The terms of the Deed are predominantly as announced in March with some negotiated changes. The Queensland and Commonwealth Governments relinquished any future claim over those assets of the Stanwell Magnesium Project that are required by AMC to implement its business plans. AMC agreed to remit to the Governments certain cash amounts, received or expected after 23 April 2004 – the effective date of the agreement for matters affecting AMC's cash position.

AMC has also developed an agreement with Leighton Contractors under which Leighton will continue to manage those Stanwell Project assets not transferred to the Governments, and that were acquired under Leighton's EPC contract. If AMC determines in the future that such assets are no longer required to implement its business plans, Leighton will dispose of those assets and AMC will receive a proportion of the proceeds.

Since reaching agreement on 25 March 2004, AMC has continued to implement its business plans:

1. AMC continued discussions with potential investors interested in its Advanced Magnesium Technologies (AMT) business including the continued development of primary magnesium technologies.
2. Negotiation continued with Newmont (the guarantor of the QMAG secured debt facility), the ANZ Bank (the debt provider), and other financial institutions regarding refinancing QMAG on a sustainable financial footing.

The Deed and associated agreements strengthen AMC's Balance Sheet by approximately \$125 million and allow AMC to present its financial position to potential investors and financiers with clarity.

The Deed limits the funds, and therefore the time, available to AMC to pursue its magnesium business plans and to seek an investor in those plans. In order to continue to implement the AMC business plan, AMC needs to raise new funds. If these funds are not able to be raised, the future viability of AMC's businesses will need to be considered.

The Deed does not affect distributions to holders of Distribution Entitled Securities and the final payment will be made on 23 November, 2004 as scheduled.

Company Directory

Australian Magnesium Corporation Limited

REGISTERED & PRINCIPAL OFFICE

Level 5, 30 Little Cribb Street, Milton QLD 4064 Australia
PO Box 1364, Milton BC, QLD 4064 Australia
Tel: +61 7 3837 3400 Fax: +61 7 3837 3423
Website: www.austmg.com
Email: info@austmg.com

Queensland Magnesia Marketing– Milton

Level 5, 30 Little Cribb Street, Milton QLD 4064 Australia
PO Box 1364, Milton BC, QLD 4064 Australia
Tel: +61 7 3837 3400
Fax: +61 7 3837 3489

Queensland Magnesia – Rockhampton

246 Boundary Road, Parkhurst QLD Australia
PO Box 5798, Central QLD Mail Centre 4702 Australia
Tel: +61 7 4920 0200
Fax: +61 7 4936 1380

Directors as at 29 July 2004

Chris Rawlings	Executive Chairman
Creagh O'Connor	Non-executive Director
John Story	Non-executive Director
Ken Williams	Non-executive Director

Eric Kolatchew Chief Executive Officer

Company Secretariat

Prem Nair Company Secretary

Issued Capital as at 30 June 2004

ASX Listed Securities

Ordinary Shares

ASX Code ANM

398,735,903 fully paid
Ordinary shares on issue.

Distribution Entitled Securities

ASX Code ANMNA

660,258,713 distribution
Entitled securities on issue.

July 2005 Options

ASX Code ANMO

53,153,895 listed options on
issue (expiry date 31 July 2005).

Unlisted Securities

3,000,000 unlisted options (expiry
date 28 February 2007)

Shareholder Services

Major Shareholders:	No. of Shares:	Percent:
Magtrust P/ L	209,939,928	19.8%
RBC Global Services P/L	70,300,000	6.6%

Matters relating to shares held, change of address and tax file numbers should be directed to the AMC Share Registry:

Pitcher Partners Registry Services

(Formerly Douglas, Heck & Burrell Registries)
Level 22, HSBC Building
300 Queen Street, Brisbane QLD 4000 Australia
GPO Box 35, Brisbane QLD 4001 Australia
Tel: +61 7 3228 4219
Fax: +61 7 3221 3149

ASX REQUIREMENTS

The Information in this report insofar as it relates to ore or mineralisation is based on information compiled by a corporate member of the Australasian Institute of Mining and Metallurgy – Steve Wilcock, M.AusIMM, Senior Mine Geologist - who has a minimum of five years experience in the field of activity being reported on.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Australian Magnesium Corporation Limited

ABN

51 010 441 666

Quarter ended ("current quarter")

30 June 2004

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors incl. GST	29,958	100,782
1.2 Payments for		
(a) exploration and evaluation	-	-
(b) development	-	-
(c) production & AMO activities excl. GST	(17,062)	(96,359)
(d) administration	(6,761)	(24,172)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	792	2,698
1.5 Interest and other costs of finance paid	(3,731)	(9,138)
1.6 Income taxes paid	-	-
1.7 Other payments	-	-
Other receipts (a) Newmont loan	-	5,000
(b) Insurance refund	1,028	3,528
Net operating cash flows	4,224	(17,661)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets incl mine development	(1,338)	(3,507)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	395	3,524
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other – CSIRO Research Agreement funding	-	-
Net investing cash flows	(943)	17
1.13 Total operating and investing cash flows (c/ forward)	3,281	(17,644)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (b/ forward)	3,281	(17,644)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares incl. DES final instalment	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings - QTH	21,128	42,256
1.17	Repayment of borrowings - loan note distribution	(18,792)	(38,078)
	- other	(2,509)	(7,743)
1.18	Dividends paid	-	-
1.19	Other – Early close-out of forward exchange contract	-	4,999
	- Loans to Directors repaid	-	323
Net financing cash flows		(173)	1,757
Net increase (decrease) in cash held		3,108	(15,887)
1.20	Cash at beginning of quarter/year to date	55,001	73,996
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	58,109	58,109

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'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	227
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

During the quarter, payments included directors' fees, executive directors' remuneration, and payments to other related entities, which include Corrs Chambers Westgarth. Payments to other related entities are mainly for professional fees. Reimbursements of expenses are not included.
(Not all of these payments are included in items 1.2 and 1.10; some are included in items 1.5 and 1.12).

Non-cash financing and investing activities

2.1 Details of financing and investing transactions 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 projects in which the reporting entity has an interest.
NIL

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	<u>QMC Finance Pty Ltd</u>		
	<ul style="list-style-type: none"> • <u>ANZ</u>: – Fully drawn cash advance facility (for QMAG operations) 	67,500	60,750
	<u>Australian Magnesium Operations Pty Ltd</u>		
	<ul style="list-style-type: none"> • <u>Qld Treasury Holdings Pty Ltd</u>: State Mezzanine Loan Agreement facility (subordinated debt, to support payment of Loan Note distributions by AMC) 	100,000	79,928
	<ul style="list-style-type: none"> • <u>ANZ</u>: Cash advance facility, guaranteed by the Commonwealth of Australia (subordinated debt, to fund SMP) 	100,000	86,225
<p>Note: the obligation to repay these facilities has been terminated by the State of Queensland and Commonwealth of Australia respectively by the Deed of Transfer and Release signed on 6 July 2004. See attachment for more information.</p>			
3.2	Credit standby arrangements	NIL	NIL

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	-
4.2	Development	-
Total		-

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'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	48,599	43,742
5.2	Deposits at call	7,250	9,000
5.3	Bank overdraft	-	-
5.4	Other – Bank bills & Term deposits	2,260	2,259
Total: cash at end of quarter (item 1.22)		58,109	55,001

+ See chapter 19 for defined terms.

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	n/a	n/a	n/a
6.2	Interests in mining tenements acquired or increased	n/a	n/a	n/a

Issued and quoted securities at end of current quarter

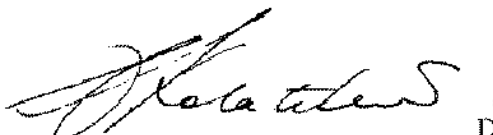
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference ⁺securities (description)	Nil	Nil		
7.2 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, etc	Nil	Nil		
⁺Ordinary securities				
7.3 (i) Fully paid	398,735,903	398,735,903		
(ii) Fully paid *	<u>660,258,713</u>	<u>660,258,713</u>		
* stapled to Loan Notes in 7.12	<u>1,058,994,616</u>	<u>1,058,994,616</u>		
7.4 Changes during quarter				
(a) Increases through issues	Nil	Nil		
(b) Decreases through returns of capital, buy-backs	Nil	Nil		
7.5 ⁺Convertible debt securities (description)	Nil	Nil		
7.6 Changes during quarter				
(a) Increases through issues	Nil	Nil		
(b) Decreases through securities matured, converted	Nil	Nil		
7.7 Options (description and conversion factor)			Exercise price	Expiry date
(i) 31 July 2005 *	53,153,895	53,153,895	125 cents	31 July 2005
(ii) 28 Feb 2007 *	3,000,000	Nil	60 cents	28 Feb 2007
* entitlement to subscribe for one ordinary share				
7.8 Issued during quarter	Nil	Nil		
7.9 Exercised during quarter	Nil	Nil		
7.10 Expired during quarter (options lapsed during period)	Nil	Nil		
7.11 Debentures (totals only)	Nil	Nil		
7.12 Unsecured notes Loan Notes *	660,258,713	660,258,713		
* stapled to fully paid shares in 7.3(ii) above				

+ 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 or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 29 July 2004
Chief Executive Officer

Print name: Eric Kolatchew

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 "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **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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