



**Advanced
Magnesium**
Limited

23 January 2006

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:

❖ **AML Quarterly Appendix 4C
for 3 Months Ended 31 December 2005**

Yours faithfully,

P K Nair
COMPANY SECRETARY

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")

31 December 2005

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter	Year to date
		\$A	(6 months) \$A
1.1	Receipts from sales and related debtors incl. GST	190,521	223,075
1.2	Payments for		
	(a) Salaries: global marketing team	(337,563)	(660,970)
	(b) Salaries: research and development	(128,827)	(251,720)
	(c) Salaries: directors, corporate, redundancies and other	(443,211)	(858,838)
	(d) Marketing external (incl. trials)	(243,660)	(388,484)
	(e) Research and development external	(137,876)	(170,061)
	(f) Legal, patent, licence, and related	(95,221)	(242,856)
	(g) Corporate and compliance	(297,811)	(524,121)
	(h) Cost of Sales	(6,440)	(6,440)
	(i) Overheads and other	(345,295)	(619,572)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	115,435	225,497
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	(59,238)	(59,238)
1.7	Other receipts		
	(a) premises related inflows	104,280	537,043
Net operating cash flows		(1,684,906)	(2,796,685)

+ See chapter 19 for defined terms.

	Current quarter \$A	Year to date (6 months) \$A
Cash flows related to investing activities		
1.8 Payment for purchases of fixed assets	(53,601)	(333,099)
1.9 Proceeds from disposal of fixed assets	84,179	84,609
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
Net investing cash flows	30,578	(248,490)
Cash flows related to financing activities		
1.13 Net proceeds from issues of shares, options, etc.	11,376,295	11,376,295
1.14 Proceeds from borrowings	-	-
1.15 Repayment of borrowings	-	-
1.16 Other	-	-
Net financing cash flows	11,376,295	11,376,295
Net increase (decrease) in cash held	9,721,967	8,331,120
1.17 Cash at beginning of quarter/year to date	5,760,454	7,152,374
1.18 Exchange rate adjustments to item 1.19	2,497	1,424
1.19 Cash at end of quarter/year to date	15,484,918	15,484,918

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	128,275
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 and executive directors' 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.

As part of the fund raising in October 2005, a total of 400,000 share options were granted to Pegasus Corporate Advisory Pty Ltd as part of their remuneration for corporate finance services. Also, 2,645,650 share options were granted under the newly established Employee Share Option Plan.

- 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	719,918	376,018
4.2 Deposits at call	3,300,000	2,919,436
4.3 Bank overdraft	-	-
4.4 Other – Bank bills & Term deposits	11,465,000	2,465,000
Total: cash at end of quarter (item 1.19)	15,484,918	5,760,454

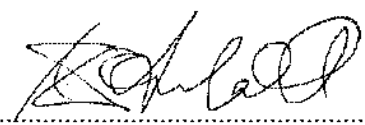
Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
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: 23 January 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 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
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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