Appendix 4D

Advanced Magnesium Limited
ASX Half-Year Report - 31 December 2008

Advanced Magnesium Limited ("AML") ABN 51 010 441 666

This Half Year Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.

This information should be read in conjunction with the Financial Statements of Advanced Magnesium Limited for the year ended 30 June 2008.

Compilation of Statements

Reporting Period 31 December 2008:	Half-Year from 1 July 2008 to 31 December 2008
Reporting Period 31 December 2007:	Income & Cash Flow Statements - Half-Year from 1 July 2007 to 31 December 2007 Balance Sheet – 30 June 2008

RESULTS FOR ANNOUNCEMENT TO THE MARKET
for the Half-Year Ended 31 December 2008

Revenue and Net Loss		**Percentage Change (against previous corresponding period)**	**Amount $**
Revenue	Up	14.20%	75,322
Loss from ordinary activities after tax	Down	34.45%	(1,682,889)
Net Loss attributable to members	Down	34.45%	(1,682,889)

Dividends	**Amount per share**	**Franked amount per share**
Interim dividend - per share	0.0¢	0.0¢
Previous corresponding half yearly report	0.0¢	0.0¢

Brief Explanation of Revenue, Net Loss and Dividends

Revenue and Net Loss

Revenues consist mainly of AM-Cover license fees and sales of AM-Converter and AM-Lite.

The Net Loss for the period is comprised of operating expenditure on marketing of magnesium alloys, research and development, patents and corporate administration costs.

CONDENSED FINANCIAL REPORT
for the Half-Year Ended 31 December 2008

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DIRECTORS' REPORT

The Directors of **Advanced Magnesium Limited** ('the Company") submit herewith the financial report for the half-year ended **31 December 2008**. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

The names of the Directors of the Company during or since the end of the half-year are:

Mr S Fitton (Executive Chairman)
Mr N Andrews (Non-Executive Director)
Mr M Brown (Non-Executive Director)
Mr G Ralph (Non-Executive Director)
(resigned on 25 August 2008)

Review of Operations

The consolidated loss for the six months was $1,682,889 (six months to 31 Dec 2007: loss of $2,567,309).

Corporate

The twenty-sixth annual general meeting of AML was held on 18 November 2008 at Royal on the Park. Mr Fitton, retired in accordance with the Company's Constitution and was re-elected to the Board of Directors.

Operational Overview
These are unprecedented times for the global economy. In the period of two and one half months since your company's Annual General Meeting, there has been such a sharp deterioration in global magnesium market trading conditions that we have been forced to significantly revise our operating plan for the second half of the financial year.

The most compelling change has been the speed at which the magnesium industry in China, at all levels from primary production through to finished products, has gone into decline. In Japan and Europe, as well as China, there are numerous examples of magnesium die casters not having received an order from their tier 1/OEM in four weeks and even longer. Such market conditions have meant that your company has had to take actions to cope with dramatic downturns in both actual demand and market sentiment. Further compounding the challenges facing your company has been the average 30% plus depreciation since October 2008 in the Australian dollar against the Yen, US$, Euro and RMB. Over 50% of our operating cash costs are denominated in such currencies.

We have made further operating cash cost cuts. We are now forecasting average monthly operating cash spend of $150,000 compared to $242,000 per month in the first half to December 31, 2008. These cuts have been largely achieved through reduced spending on alloy trials and a severe pruning of the marketing budget to June 30, 2009. These are appropriate actions to take given the depressed market conditions though we do expect to see a pickup in sales activity in first half 2010

Consistent with a reduced marketing spend, we have reduced our revenue expectations with a scale back in AM-converter sales and AM-cover licence fees. We now expect that cash break-even will not be achieved until second quarter of financial year 2010. It is very difficult in the present trading environment to provide guidance. However, we are still planning on increased AM-converter sales, AM-cover carbon credits revenue and the probable build up of AM-Ex1 revenue resulting in the second half of financial year 2010 being cash positive.

We continue to look for additional ways in which shareholder value can be generated. We are exploring joint venture opportunities with Chinese partners for the production of both generic and our own proprietary magnesium alloys. In addition we are developing a case for entering the magnesium electroplating and chemicals business at a low cost, thereby creating value from the years of work and dollars spent on developing electroplated AM-lite. We believe such joint ventures will enable AML to maximise the commercial potential of its proprietary alloys and associated IP at little cost and in the largest and fastest growing market in the world.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 6.

Signed on 20 February 2009 in accordance with a resolution of Directors made pursuant to section 306 (3) of the Corporations Act 2001.

On behalf of the Directors

Stuart Fitton
Executive Chairman

CAMPHIN BOSTON

CHARTERED ACCOUNTANTS

AUDITOR'S INDEPENDENCE DECLARATION

We hereby declare, that to the best of our knowledge and belief, during the half-year ended 31 December 2008 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

Name of Firm: Camphin Boston
Chartered Accountants

Name of Partner: G S Boston
Greg Boston

Address: Sydney

Dated this 24th **day of** February 2009

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CAMPHIN BOSTON

CHARTERED ACCOUNTANTS

REVIEW REPORT TO THE MEMBERS OF ADVANCED MAGNESIUM LIMITED

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ADVANCED MAGNESIUM LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Advanced Magnesium Limited which compromises the balance sheet as at 31 December 2008, and the income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Advanced Magnesium Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures describes, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Advanced Magnesium Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Advanced Magnesium Limited would be in the same terms if provided to the directors as at the date of this auditor's review report.

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REVIEW REPORT TO THE MEMBERS OF ADVANCED MAGNESIUM LIMITED (cont)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Advanced Magnesium Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1, "Going Concern" in the financial report which indicates the need to achieve commercial sales and/or raise capital in the next 12 months in order to continue operations after that time. These factors, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the company's and consolidated entity's ability to continue as going concerns and, therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

Camphin Boston
Chartered Accountants

G S Boston

Greg Boston
Partner

Level 9, 5 Elizabeth Street, Sydney NSW 2000

Dated: 24th February 2009

DIRECTORS' DECLARATION

The Directors declare that:

a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors pursuant to s. 303(5) of the Corporations Act 2001.

On behalf of the Directors

Stuart Fitton
Executive Chairman

Sydney, 20 February 2009

CONDENSED CONSOLIDATED INCOME STATEMENT
for the Half-Year Ended 31 December 2008

	Note	Half-Year Ended 31 Dec 2008 $	Half-Year Ended 31 Dec 2007 $
Revenue		75,322	65,958
Cost of sales		(8,199)	(22,343)
Gross profit		67,123	43,615
Other income		75,418	176,720
Other operating costs		(349,126)	(585,237)
Corporate, administration, and other expenses		(259,652)	(230,958)
Redundancies		(154,151)	(148,877)
Personnel costs		(926,231)	(1,574,928)
R&D, licences and patenting		(167,247)	(231,719)
Loss before income tax expense		(1,713,866)	(2,551,383)
Income tax expense	2.3	30,978	(15,926)
Loss from continuing operations		(1,682,889)	(2,567,309)
Profit from discontinued operations		-	-
Loss attributable to members of the parent entity		(1,682,889)	(2,567,309)
Loss per Share			
From continuing and discontinued operations			
- Basic (cents per share)		(1.818)	(2.960)
- Diluted (cents per share)		(1.818)	(2.960)
From continuing operations			
- Basic (cents per share)		(1.818)	(2.960)
- Diluted (cents per share)		(1.818)	(2.960)

Notes to the financial statements are included on pages 14 to 17.

CONDENSED CONSOLIDATED BALANCE SHEET
as at 31 December 2008

	Note	31 Dec 2008 $	30 Jun 2008 $
Current Assets			
Cash and cash equivalents	7	1,546,294	2,996,127
Trade and other receivables		71,336	67,580
Inventories		197,941	204,081
Other		6,014	34,462
Total Current Assets		1,821,585	3,302,250
Non-Current Assets			
Leasehold improvements		4,236	7,014
Property, plant and equipment		22,786	26,286
Total Non-Current Assets		27,022	33,300
Total Assets		1,848,607	3,335,550
Current Liabilities			
Trade and other payables		50,813	62,410
Provisions		43,702	71,602
Total Current Liabilities		94,515	134,012
Total Liabilities		94,515	134,012
Net Assets		1,754,092	3,201,538
Equity			
Issued capital	2, 6	18,579,722	18,542,857
Reserves	2	4,299,832	4,101,253
Accumulated losses		(21,125,462)	(19,442,572)
Total Equity		1,754,092	3,201,538

Notes to the financial statements are included on pages 14 to 17.

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
for the Half-Year Ended 31 December 2008

	Note	Half-Year Ended 31 Dec 2008 $	Half-Year Ended 31 Dec 2007 $
Translation of foreign operations:			
Exchange differences taken to reserves in equity		61,446	15,259
Net (loss)/income recognised directly in equity		61,446	15,259
Loss for the period		(1,682,889)	(2,567,309)
Total recognised income and expense for the period		**(1,621,443)**	**(2,552,050)**
Attributable to equity holders of the parent		(1,621,443)	(2,552,050)

Notes to the financial statements are included on pages 14 to 17.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the Half-Year Ended 31 December 2008

	Note	Half-Year Ended 31 December 2008 Inflows/ (Outflows) $	Half-Year Ended 31 December 2007 Inflows/ (Outflows) $
Cash flows from operating activities			
Receipts from customers (including GST)		44,582	90,832
Payments to suppliers and employees (including GST)		(1,460,736)	(2,343,192)
Redundancy payments		(154,151)	(148,877)
Interest and other items of a similar nature received		101,284	160,421
Other receipts		22,964	16,545
Net cash used in operating activities		(1,446,057)	(2,224,271)
Cash flows from investing activities			
Payment for property, plant and equipment		(7,376)	(4,192)
Proceeds from sale of property, plant and equipment		3,600	1,462
Net cash provided by/(used in) investing activities		(3,776)	(2,730)
Cash flows from financing activities			
Proceeds on exercise of ESOP options		-	-
Net cash provided by financing activities		-	-
Net decrease in cash and cash equivalents		(1,449,832)	(2,227,001)
Cash and cash equivalents at the beginning of the half-year		2,996,127	6,564,759
Cash and cash equivalents at the end of the half-year	7	1,546,294	4,337,758

Notes to the financial statements are included on pages 14 to 17

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the Half-Year Ended 31 December 2008

1. Summary of Accounting Policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the financial report for the year ended 30 June 2008.

Basis of preparation

This report has been prepared on the basis of historical cost and, except where stated, does not take into account changing money values or current valuations of non-current assets. Costs are based on the fair values of consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the 31 December 2008 half-year financial report are consistent with those adopted and disclosed in the Company's 2008 annual financial report for the financial year ended 30 June 2008.

In the current year, the AML Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2008. There are no material changes to the Group's accounting policies.

Going Concern

The financial report has been prepared on a going concern basis as the Directors do not believe there is any intention or necessity to close the current operations or cease trading within twelve months from the reporting date.

The significant factors considered by the Directors in making this assessment were:

- As at 31 December 2008, the consolidated entity had cash reserves of $1,546,294 as well as other realisable assets.
- The cash reserves are adequate to fund the forecast spending through the relevant period.
- Cash spend through the relevant period has been further curtailed via a refinement of the product development and marketing budgets.

Notwithstanding, the above the Directors are cognisant that the Company will need to achieve significant commercial sales and/or raise further capital in the next 12 months in order to continue operations after that time. Inherently, this requires the group to develop its alloys to meet customer needs for commercial production of end products.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the Half-Year Ended 31 December 2008

The Directors and management are unable to predict the Company's achievement of these future outcomes with any certainty. Moreover, as with the commercialisation of any new technology in international markets, there are a number of factors outside the Company's control that render a high degree of uncertainty as to the prospects for success.

The financial report does not include any adjustments in relation to the classification of assets or liabilities that might be necessary if the Company does not continue as a going concern. The Directors estimate that costs of $0.25 million might be incurred in the event of closing down the existing operations of the Company.

2. Significant Transactions and Material Items

The following are the material factors affecting the financial statements of the economic entity for the current and comparative period.

2.1 Expiry of Pegasus Corporate Finance options

On 7 October 2008, a total of 400,000 options held by Pegasus Corporate Finance expired unexercised.

2.2 Expiry of Employee Options under ESOP

During the period, a total of 394,625 options expired unexercised due to the retrenchment or termination of employees. The imputed value of $73,085 of these options was transferred to the Expired Options Reserve.

2.3 Income Tax Expense

Tax losses previously disclosed in the 30 June 2008 Annual Report encompass Advanced Magnesium Limited and its Australian controlled entities. Income taxes incurred in foreign jurisdictions are not sheltered by these Australian tax losses and are governed by relevant tax legislation as applicable.

2.4 Issue of new shares during the period

Refer to Note 6.

3. Dividends

No dividend was declared or recommended during the 6 months ended 31 December 2008 (6 months ended 31 December 2007: no dividend declared or recommended). The balance of the franking account at 31 December 2008 is $nil (31 December 2007: $nil).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (cont)
for the Half-Year Ended 31 December 2008

4. Segment Information

The consolidated entity's activities are focused on the Advanced Magnesium Technologies business. Management monitor operations primarily on geographic reportable segments as follows:

	Europe		North America		Asia Pacific		Total	
	31-Dec 2008 $	31-Dec 2007 $	31-Dec 2008 $	31-Dec 2007 $	31-Dec 2008 $	31-Dec 2007 $	31-Dec 2008 $	31-Dec 2007 $
Revenue	–	–	–	–	75,322	65,958	75,322	65,958
Cost of sales	–	–	–	–	(8,199)	(22,343)	(8,199)	(22,343)
Gross Profit	–	–	–	–	**67,123**	**43,615**	**67,123**	**43,615**
Intersegment Income	–	261,339	–	210,470	–	(471,809)	–	–
Other income	18,053	14,280	–	–	50,692	162,440	68,745	176,720
Other expenses	(312,665)	(249,516)	(188,903)	(238,815)	(1,348,166)	(2,283,387)	(1,849,734)	(2,771,718)
Loss before income tax expense	**(294,437)**	**26,103**	**(188,903)**	**(28,345)**	**(1,230,351)**	**(2,549,141)**	**(1,713,866)**	**(2,551,383)**
Income tax expense	30,978	(15,926)	–	–	–	–	30,978	(15,926)
Loss from continuing operations	**(263,634)**	**10,177**	**(188,903)**	**(28,345)**	**(1,230,351)**	**(2,549,141)**	**(1,682,889)**	**(2,567,309)**

5. Contingent Asset and Liabilities

Contingent assets and liabilities remain unchanged from those disclosed in the Annual Report at 30 June 2008.

6. Issuances of equity securities

As approved at the Annual General Meeting on 18 November 2008, the Directors have been issued ordinary share capital in lieu of cash salary. The total number of shares issued to the Non-Executive Directors in the period was 800,000. The Executive Chairman was partially compensated in ordinary share capital for the period. The total number of shares issued to the Executive Chairman was 2,500,000.

The total number of shares issued under the Employee Share plan in the period was 50,000.

The total value of all ordinary shares issued in the period was $174,000.

There were no other movements in the ordinary share capital or other issued share capital of the company in the half-year reporting period.

7. Reconciliation of Cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	31 Dec 2008 $	30 June 2008 $
Cash on hand and at bank	545,451	640,277
Deposits at call	844	105,850
Term deposits	1,000,000	2,250,000
Total cash at end of period	1,546,294	2,996,127

8. Events subsequent to balance date

There were no subsequent events that require disclosure in the financial report.

SUPPLEMENTARY APPENDIX 4D INFORMATION

A. Further Details Relating to Dividends

Dividend		Date dividend Paid /payable	Amount per share ¢	Amount per share of foreign sourced dividend ¢
Interim	**FY 2008** Fully paid	Not Applicable	0.00	0.00
Final	**FY 2007** Fully paid	Not Applicable	0.00	0.00

B. Net Tangible Assets Per Share

Net Tangible Assets Per Share

	31 Dec 2008 cents	30 Jun 2008 cents
Net tangible assets per share	1.894	3.588

C. Information on Audit or Review

This half–year report is based on accounts which have been subject to review.

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review:

Not applicable.

Description of dispute or qualification if the accounts have been audited or subjected to review:

None.