

DIRECTORS' REPORT

Review of Income Statement and operations

	CONSOLIDATED	
	30 June	30 June
	2006	2005
	\$	\$
Sales revenue	363,140	85,381
Cost of sales	(209,004)	–
Gross profit	154,136	85,381
Other income	3,012,458	1,567,349
Recoverable amount write downs	(45,016)	(493,740)
Loss on sale of assets	(7,058)	–
Marketing	(1,087,269)	(229,497)
Research, development, licensing and patent costs	(1,479,646)	(878,949)
Redundancy costs	(169,631)	(1,063,901)
AMT operating costs	(3,048,134)	(3,794,094)
Corporate, administration and other expenses	(2,075,111)	(2,566,676)
Loss before income tax expense	(4,745,271)	(7,374,127)
Income tax expense	(97,028)	(51,321)
Loss from continuing operations	(4,842,299)	(7,425,448)
Profit from discontinued operations	4,415,840	7,481,447
Profit/(loss) attributable to members of the parent entity	(426,459)	55,999

Revenue

Sales of AMT's alloys and metal handling technologies continue to grow, albeit slowly. Included in revenue is sales of six AM-converters totalling approximately \$170,000 and AM-lite revenues from trials of \$160,000. Other income during the year consists of cash received from Magtrust on sale of its shareholding of AML shares of \$2.1m and interest on cash balances of \$700,000.

Operating costs relating to the Advanced Magnesium Technologies business continues to be supported by expenditure on research and development into AMT's unique proprietary alloys and the corporate infrastructure expenses of a listed company. As AMT transitions from trials of its flagship AM-lite product into commercial sales, marketing and promotional expenditure has become a greater component of overall expenditure.

The finalisation of the Stanwell Project comprises the accounting profit outlined under discontinued operations. The potential liability of \$4.8m was successfully settled (resulting in a credit) by providing Alcan with an exclusive licence for the Stanwell Engineering Package, offset by a final write down of the remaining assets at Stanwell of \$400,000.