

DIRECTORS' REPORT

Review of Balance Sheet

	CONSOLIDATED	
	30 June	30 June
	2006	2005
	\$	\$
Assets		
Cash	12,109,140	7,152,374
Receivables	880,233	457,301
Inventories	292,005	-
Property, plant & equipment	379,775	449,672
Non-current assets classified as held for sale	-	937,800
Prepayments and other	119,562	139,369
Total	13,780,715	9,136,516
Liabilities		
Payables and Other		
Liabilities	759,447	5,510,122
Provisions	310,503	354,464
Other	79,000	-
Total	1,148,950	5,864,586
Net Assets	12,631,765	3,271,930

The net asset position of the Group has strengthened during the year due to inflows of cash from the issue of ordinary shares and receipt of cash from Magtrust Pty Ltd for the sale of its shareholding of AML ordinary shares in October 2005.

The balance of Stanwell assets has been classified as assets held for sale under the new accounting standards. The 30 June 2005 balance has been partially converted to cash, during the current year with the remainder written off to nil value.

The reduction in payables includes the settlement of a licence payable to Alcan of \$4.8m in relation to the Stanwell Project.

As a result the 30 June 2006 balance sheet solely comprises the AML Group and its Advanced Magnesium Technologies operating business.