

## DIRECTORS' REPORT

### Review of Cashflow

	CONSOLIDATED	
	30 June 2006 \$	30 June 2005 \$
<b>Opening Cash Balance</b>	<b>7,152,374</b>	<b>12,460,000</b>
<b>Inflows</b>		
Proceeds from issue of securities	9,765,900	-
Proceeds from sale of QMAG business	-	65,037,248
Receipt from Magtrust Pty Ltd	2,077,690	-
Proceeds from sale of non-current and project assets	463,825	1,596,100
Recovery of insurance premiums	-	1,145,590
<b>Outflows</b>		
Operating activity outflows and other (net)	(6,332,406)	(3,113,800)
Redundancies	(169,631)	(1,123,184)
Payment to Government Stakeholders re: DOTR	-	(3,000,000)
Repayment of Department of Natural Resources security	-	(1,850,081)
Property, plant & equipment purchased and mine development	(284,600)	(1,583,131)
Net Interest & borrowing costs paid	-	(1,089,439)
Repayment of Borrowings and Leases	-	(61,326,929)
Share issue costs	(564,004)	-
<b>Net Cash Inflows/ (Outflows)</b>	<b>4,956,766</b>	<b>(5,307,626)</b>
<b>Closing Cash Balance</b>	<b>12,109,140</b>	<b>7,152,374</b>

The AML Group had a closing balance of \$12,109,140 at 30 June 2006 representing a net increase in cash of \$4,956,766 over the year.

Total net fundraising in October 2005 comprising issue of ordinary shares, receipt of cash from Magtrust on sale of its AML ordinary shareholding less share issue costs was \$11.3m. This was offset by usage of cash in the Advanced Magnesium Technologies business and supporting corporate and administration activities of \$6.3m.