NOTE 30 NOTES TO THE CASH FLOW STATEMENT

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	$	$	$	$
(a) Reconciliation of cash and cash equivalents For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:				
Cash and cash equivalents	12,109,140	7,152,374	9,372,913	4,427,045
(b) Business disposed During the previous financial year, on 31 August 2004 the consolidated entity sold the entire share capital in Icelandic Magnesium Company Limited. Details of the disposal are as follows:				
Consideration				
Cash and cash equivalents	—	658,775	—	—
	—	658,775	—	—
Book value of net assets sold				
Current assets:				
Cash	—	992,240	—	—
Receivables	—	35,683	—	—
Current liabilities:				
Payables	—	(11,772)	—	—
Net assets disposed	—	1,016,151	—	—
Minority interest	—	(345,911)	—	—
Loss on disposal	—	(11,465)	—	—
	—	658,775	—	—
Net cash inflow/(outflow) on disposal				
Cash and cash equivalents				
Consideration	—	658,775	—	—
Less cash and cash equivalent				
Balances disposed	—	(992,240)	—	—
	—	(333,465)	—	—
During the previous financial year, on 1 December 2004 the consolidated entity disposed of QMAG business. Details of the disposal are as follows:				
Consideration				
Net cash and cash equivalents	—	65,037,248	—	28,555,996
	—	65,037,248	—	28,555,996
Book value of net assets sold				
Current assets:				
Cash	—	2,065,000	—	1,032,511
Receivables	—	10,565,204	—	4,012,320
Inventory	—	25,781,000	—	12,890,542
Other current assets	—	1,513,000	—	741,474
Non-current assets:				
Property, plant and equipment	—	55,721,172	—	33,773,122
Other non-current assets	—	3,239,000	—	1,197,296

NOTE 30 NOTES TO THE CASH FLOW STATEMENT (cont…)

	CONSOLIDATED		PARENT ENTITY	
	2006	2005	2006	2005
	$	$	$	$
Current liabilities:				
Payables	—	(12,474,000)	—	(6,237,229)
Interest-bearing liabilities	—	(3,229,000)	—	(1,614,304)
Provisions	—	(2,829,000)	—	(1,414,368)
Other current liabilities	—	(7,289,000)	—	(3,644,387)
Non-current liabilities:				
Payables	—	(42,000)	—	(20,759)
Interest-bearing liabilities	—	(3,521,000)	—	(3,236,013)
Provisions	—	(4,639,000)	—	(2,319,220)
Other non-current liabilities	—	(3,587,000)	—	(1,793,821)
Net assets disposed	—	61,274,376	—	33,367,164
Other disclosures				
Options granted	—	227,896	—	227,896
Gain/(loss) on disposal	—	5,959,683	—	(3,488,159)
Net cash inflow on disposal				
Cash and cash equivalents	—	67,102,248	—	29,588,507
Less cash and cash equivalent	—	(2,065,000)	—	(1,032,511)
Balances disposed	—	65,037,248	—	28,555,996
(c) Non-cash financing and investing activities There were no non-cash financing or investing activities other than those disclosed elsewhere in this financial report.				
(d) Cash balances not available for use The AML Group has $483,228 as cash collateralised guarantees for its premises lease and payroll obligations.				
(e) Reconciliation of profit for the period to net cashflows from operating activities				
Profit/(Loss) after income tax	(426,459)	55,999	(2,094,494)	1,074,123
Depreciation & amortisation expense	171,676	2,931,238	26,464	1,697,796
Depreciation charged to inventory	—	(277,391)	—	(357,977)
Loss/(gain) on disposal of QMAG	—	(5,959,683)	—	3,488,159
Loss/(gain) on disposal of plant & equipment	(61,990)	(458,542)	(69,048)	104,899
Loss/(gain) on disposal of project assets	—	91,714	—	—
Loss/(gain) on disposal of Icelandic Magnesium Corporation	—	11,465	—	—
Net asset recoverable amount write-down	467,546	3,710,112	—	458,544
Amortisation of lease incentive	—	14,929	—	—
Equity settled share-based payments to employees	490,028	—	490,028	—
Equity settled share-based payments to corporate advisors	64,050	—	64,050	—
Increase in FCTR on translation of overseas subsidiaries	30,320	—	—	—
Project asset sales receivable in other current assets	141,248	—	—	—
Debt forgiveness revenue Newmont	—	(7,543,377)	—	(3,161,287)
Debt forgiveness with subsidiaries and related movement in balance sheet caption	—	—	—	(328,232)
Doubtful debts expense intercompany	—	—	—	1,650,951
Recoverability provision against investment	—	—	3,107,910	—
Magtrust revenue (in financing)	(2,077,690)	—	(2,077,690)	—
Repayment to government stakeholders of Department of Natural Resources security (in financing)	—	1,850,081	—	1,850,081

NOTE 30 NOTES TO THE CASH FLOW STATEMENT (cont…)

	CONSOLIDATED		PARENT ENTITY	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Liability to government stakeholders in current payables (in financing)	—	3,000,000	—	—
QMAG net balance sheet amounts at 1 December 2004 included in movements below	—	(3,130,000)	—	(1,129,350)
Loss of control of QMAG cash balances on sale	—	2,065,000	—	1,032,500
Adjustment for RCF bridging loan	—	(2,500,000)	—	—
QMAG sale non-cash adjustments	—	702,708	—	310,482
Accrued fitout at new AML premises	110,000	(187,210)	—	—
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in current receivables	(422,932)	11,276,699	175,973	4,519,108
(Increase)/decrease in non-current receivables	—	1,247,000	—	849,000
(Increase)/decrease in inventories	(292,005)	22,504,000	—	11,252,000
(Increase)/decrease in other current assets	19,807	3,200,631	535	1,688,465
(Increase)/decrease in other non-current assets	—	9,514,522	—	2,030,585
Increase/(decrease) in current payables	87,695	(18,023,248)	(48,843)	(15,405,945)
Increase/(decrease) in non-current payables	(4,838,370)	(7,609,630)	—	(1,236,000)
Increase/(decrease) in current provisions	(29,268)	(3,033,757)	1,124	(303,517)
Increase/(decrease) in non-current provisions	(14,693)	(7,363,628)	722	(3,630,282)
Increase/(decrease) in other current liabilities	15,800	(6,070,000)	—	(3,071,000)
Increase/(decrease) in other non-current liabilities	63,200	(3,867,000)	—	(2,044,000)
Net cash from operating activities	**(6,502,037)**	**(3,847,368)**	**(423,269)**	**1,339,103**

NOTE 31 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives

The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives with respect to QMAG was governed by the consolidated entity's policies approved by the Board of Directors, which provided written principles on the use of financial derivatives.

In the previous financial year, the Company and certain of its controlled entities were parties to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates relating to sales by the QMAG joint venture. All hedges were closed out as part of the sale agreement of the QMAG joint venture operations to RCF on 1 December 2004.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(c) Interest rate risk management

The consolidated entity was exposed to interest rate risk as it borrowed funds at both fixed and floating interest rates. This risk ceased on the sale of the QMAG operations and subsequent repayment of all outstanding loans.