

**TANTALUM AUSTRALIA NL
AND ITS CONTROLLED ENTITIES**

ACN 009 127 020

**HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2003**

CORPORATE DIRECTORY

Directors

M G Fotios
T J King
D Reynolds
ASA Sebi

Secretary

P Farrah

Auditors

Grant Thornton
Level 6, 256 St George's Terrace
Perth WA 6000

Bankers

Commonwealth Bank of Australia
Head Office, 150 St George's Terrace
Perth WA 6000

Registered Office

13 Mumford Place
Balcatta WA 6021

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

Solicitors

Pullinger Readhead Stewart
1st Floor, 46-50 Kings Park Road
West Perth WA 6005

Stock Exchange

Australian Stock Exchange Limited
Code: TAA

Principal Office

13 Mumford Place
Balcatta WA 6021

Postal Address

13 Mumford Place
Balcatta WA 6021

Website

www.tantalumaustralia.com

TANTALUM AUSTRALIA NL HALF-YEAR FINANCIAL REPORT

DIRECTORS' REPORT

The Directors of Tantalum Australia NL, A.C.N. 009 127 020, present their report on the financial report for the half-year ended 31 December 2003.

Directors

The following persons held office as directors of Tantalum Australia NL at the date of this report:

M G Fotios
T J King
D Reynolds
ASA Sebi

Results

The net loss of the economic entity for the half-year ended 31 December 2003 was \$1,492,209 (2002: \$2,335,253). This includes exploration expenditure write-downs of \$281,500, development expenditure at Gascoyne of \$369,031, depreciation of \$46,454 and costs associated with the liquidation of Savannah Gold NL totalling \$90,122.

Review of Operations

The review of the operations and results of the economic entity for the half-year have been reported in detail in the quarterly reports submitted to the Australian Stock Exchange for the quarters ended 30 September 2003 and 31 December 2003.

Mining

During the half year the construction and commissioning of the Gascoyne gravity separation (jig) plant was completed as part of a planned trial mining campaign. Trial mining and processing commenced during December and is continuing subject to seasonal cyclonic weather during January and February.

Exploration

RC drilling was completed at the Iron Duke prospect at the Norseman Gold Project producing significant intercepts and resulted in the decision to proceed with a feasibility study into the viability of a mining operation. RC drilling and metallurgical test work is underway as part of the feasibility study, which is now expected to be completed during March 2004.

Business Development

The SOM R&D being completed at Boston University ("BU") successfully converted tantalum concentrates to high purity metal. A patent programme was commenced in conjunction with BU to secure rights over intellectual property created during the R&D programme.

The company has opened an office in Southern Africa and appointed a manager responsible for reviewing projects and negotiating purchase of raw tantalum concentrate for shipment to the company's Balcatta Mineral dressing facility for upgrade and sale.

TANTALUM AUSTRALIA NL HALF-YEAR FINANCIAL REPORT

DIRECTORS' REPORT continued...

Significant Changes

There have been no changes in the state of affairs of the economic entity that occurred during the half-year under review not otherwise disclosed in this report or the consolidated accounts.

M G Fotios
Director

Perth
15 March, 2004

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 7 to 14:
 - (a) comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations; and
 - (b) give a true and fair view of the economic entity's financial position as at 31 December 2003 and of its performance for the half-year ended on that date:
2. 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.

This declaration is made in accordance with a resolution of the Directors.

M G Fotios
Director

Perth
15 March, 2004

INDEPENDENT AUDIT REPORT TO MEMBERS OF TANTALUM AUSTRALIA NL

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Tantalum Australia NL and its controlled entities (the consolidated entity), for the half-year ended 31 December 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

**INDEPENDENT AUDIT REPORT
TO MEMBERS OF TANTALUM AUSTRALIA NL (cont)**

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by the directors or management.

We have read the other information in the annual report to determine whether it contained any material inconsistencies with the financial report.

Independence

In conducting our audit, we followed the applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of Tantalum Australia NL is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the audit opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1, unless the economic entity is able to raise additional working capital, there is significant uncertainty whether it will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report.



GRANT THORNTON
Chartered Accountants



SEAN MCGURK
Partner

Perth, WA

Dated this 15th Day of March 2004

TANTALUM AUSTRALIA NL HALF-YEAR FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2003

	Note	CONSOLIDATED	
		31/12/03 \$	30/06/03 \$
CURRENT ASSETS			
Cash assets		1,280,370	304,430
Receivables		155,754	452,954
Inventories		27,812	17,392
Other		795,179	406,584
Total current assets		2,259,115	1,181,360
NON CURRENT ASSETS			
Receivables		711,332	631,253
Other assets		-	338,633
Property, plant and equipment		3,092,618	2,534,127
Exploration, evaluation, development expenditure		4,026,920	2,537,558
Intangible Assets		249,211	-
TOTAL NON CURRENT ASSETS	3	8,080,081	6,041,571
TOTAL ASSETS		10,339,196	7,222,931
CURRENT LIABILITIES			
Payables		1,605,497	1,584,761
Bank overdraft		70,915	-
Interest-bearing liabilities		319,193	384,554
Provisions		160,261	182,403
TOTAL CURRENT LIABILITIES		2,155,866	2,151,718
NON CURRENT LIABILITIES			
Provisions		727,692	657,992
TOTAL NON CURRENT LIABILITIES		727,692	657,992
TOTAL LIABILITIES		2,883,558	2,809,710
NET ASSETS		7,455,638	4,413,221
SHAREHOLDERS EQUITY			
Contributed equity	4	41,374,194	38,556,701
Accumulated profits/(losses)		(33,918,556)	(34,143,480)
TOTAL EQUITY		7,455,638	4,413,221

The above condensed statement of financial position should be read in conjunction with the accompanying notes.

TANTALUM AUSTRALIA NL HALF-YEAR FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003**

	Note	CONSOLIDATED	
		31/12/03 \$	31/12/02 \$
Revenue from sale of goods		-	886,226
Revenue – interest income		17,820	13,885
Other revenues from ordinary activities		31,851	343,110
Total revenue	2	49,671	1,243,221
Changes in inventories of finished goods and work in progress		369,031	2,512,585
Employee expenses		184,337	221,598
Lease expenses		4,709	68,842
Depreciation and amortisation expenses		46,454	69,815
Consultancy expenses		163,703	172,294
Directors fees		71,000	15,000
Rehabilitation mining and exploration costs		355,500	11,572
Research and development expense		-	243,430
Borrowing costs		20,513	-
Other expenses from ordinary activities		326,633	263,338
Loss from ordinary activities before related income tax expense		(1,492,209)	(2,335,253)
Income tax expense relating to ordinary activities		-	-
Net loss attributable to members of the parent entity		(1,492,209)	(2,335,253)
Basic earnings per share (cents)		(0.70)	(1.24)
Diluted loss per share (cents)		(0.70)	(1.24)

The above condensed statement of financial performance should be read in conjunction with the accompanying notes.

TANTALUM AUSTRALIA NL HALF-YEAR FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003**

	CONSOLIDATED	
	31/12/03	31/12/02
	\$	\$
Cash flows from operating activities		
Cash receipts from customers	572,088	850,175
Cash payments to suppliers and employees	(1,687,475)	(1,404,309)
Interest received	17,820	13,885
Borrowing costs	(20,513)	-
Net cash provided by/(used in) operating activities	(1,118,080)	(540,249)
Cash flows from investing activities		
Bond deposits	6,667	-
Proceeds from sale of non-current assets	-	1,500
Payments for property, plant and equipment	(160,604)	(81,070)
Loans to associates (net of cash acquired)	20,500	-
Payments for exploration and exploration properties	(227,153)	(109,763)
Net cash used in investing activities	(360,590)	(189,333)
Cash from financing activities		
Hire purchase borrowings repaid	(4,709)	(5,208)
Proceeds from issue of shares	2,757,333	440,000
Proceeds from sale of unmarketable parcels	130,603	(26,399)
Repayment of directors loan	(271,077)	-
Repayment of borrowings	(87,718)	-
Share issue transaction costs	(142,507)	-
Net cash provided by/(used in) financing activities	2,381,925	408,393
Net increase/(decrease) in cash held	903,255	(321,189)
Cash at 1 July	304,430	457,765
Effects of exchange rate fluctuations on the balance of cash held in foreign currencies	1,770	-
Closing at 31 December	1,209,455	136,576

The above condensed statement of cash flows should be read in conjunction with the accompanying notes.

TANTALUM AUSTRALIA NL HALF-YEAR FINANCIAL REPORT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

1. Statement of Accounting Policy

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2003 and any public announcements made by Tantalum Australia NL and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies, with the exception of accounting for income taxes, have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June 2003 annual report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

The financial statements have been prepared on the going concern basis of accounting which assumes that the Company will be able to meet its commitments, realise its assets and discharge its liabilities in the ordinary course of business.

The general purpose financial report has been prepared on the basis of a going concern. The economic entity's ability to continue as going concern is contingent upon raising additional capital to fund exploration commitments, other principal activities and for use of as working capital. If additional capital is not raised, the going concern basis may not be appropriate with the result that the entity may have to realise its assets and extinguish its abilities other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

	CONSOLIDATED	
	31/12/03	31/12/02
	\$	\$
2. Operating Revenue		
Sale revenue	-	886,226
Research and development rebate	-	343,110
Other revenue	49,671	13,885
	<u>49,671</u>	<u>1,243,221</u>

3. Fundamental Error

An error was made in the financial statements of the economic entity for the years ended 30 June 2002 and 30 June 2003, relating to the incorrect treatment of the discount on acquisition under AASB 1013 "Accounting for Goodwill." The result was a misclassification of assets for the year ended 30 June 2002 and an understatement of the assets and an overstatement of accumulated losses for the year ended 30

TANTALUM AUSTRALIA NL HALF-YEAR FINANCIAL REPORT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003 continued...

	CONSOLIDATED	
	30/06/03	30/06/02
	\$	\$
3. Fundamental Error continued...		
The error has been corrected in the accounts for the half-year ended 31 December 2003.		
The restated financial information for 2002 and 2003 is presented below as if the error had not been made.		
Statement of financial position		
Restatement of total current assets:		
As previously reported	1,181,360	2,953,656
Correction	-	(386,351)
Restated balance	1,181,360	2,567,305
Restatement of total non-current assets:		
As previously reported	6,041,571	7,170,647
Correction	1,717,133	386,351
Restated balance	7,758,704	7,556,998
Restatement of accumulated losses:		
As previously reported	(34,143,480)	(29,512,546)
Correction	1,717,134	-
Restated balance	(32,426,346)	(29,512,546)
Statement of financial performance		
Restatement of rehabilitation, mining and exploration costs		
As previously reported	757,589	256,711
Correction	(496,330)	-
Restated balance	261,259	256,711
Restatement of changes in inventories of finished goods and work in progress		
As previously reported	2,614,816	2,552,542
Correction	(1,055,165)	-
Restated balance	1,559,651	2,552,542
Restatement of other expenses		
As previously reported	404,850	272,712
Correction	(165,639)	-
Restated balance	239,211	272,712

TANTALUM AUSTRALIA NL HALF-YEAR FINANCIAL REPORT

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003 continued...**

	CONSOLIDATED	
	31/12/03	30/06/03
	\$	\$
4. Contributed Equity		
<i>Issued capital</i>		
Balance at the beginning of the financial year: 208,713,897 ordinary fully paid shares (2002: 187,425,356)	38,556,701	37,351,739
6,000,000 ordinary fully paid shares each issued at 8 cents per share		480,000
2,533,307 ordinary fully paid shares issued at 6 cents per share pursuant to the Company Share Purchase Plan		151,998
12,000,000 ordinary fully paid shares each issued at 5 cents per share		600,000
755,234 ordinary fully paid shares issued at 5 cents per share – Kemet Corporation		37,762
11,781,481 ordinary full paid shares issued at 10 cents per share	1,060,333	
2,996,668 ordinary fully paid shares issued at 10 cents per share	299,666	
20,000,000 ordinary fully paid shares issued at 8 cents per share	1,600,000	
Less share issue costs	(142,506)	(64,798)
Balance at the end of the financial year: 243,492,046 ordinary fully paid shares (2003: 208,713,897)	41,374,194	38,556,701
<i>Options on issue</i>		
3,250,000 director and executive options exercisable at 20 cents expiring before 31 March 2004		
1,345,000 executive options exercisable at 25 cents, of which 250,000 options expire by 28 February 2004, and 1,095,000 options expire on 28 February 2005		

These options with the exception of 625,000 expiring 28 February 2005 have a vesting date of 1 February 2003.

TANTALUM AUSTRALIA NL HALF-YEAR FINANCIAL REPORT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2003 continued....

Classification of securities

The Company has 3,250,000 unlisted options on issue to directors and officers of the Company exercisable at 20 cents.

The Company has 1,345,000 unlisted executive options exercisable at 25 cents issued to employees as part of an incentive options scheme.

5. Segment Reporting

The consolidated entity operates in one business and geographical segment, being exploration, development and mining throughout Australia.

6. Acquisition of Subsidiary

Tantalum Australia Operations Pty Ltd, a wholly owned subsidiary of the Company, acquired Rare Resources NL for a consideration of \$299,666. This non-cash consideration involved the issue of 2,996,668 ordinary shares by the Company to the vendor's shareholders in proportion to their respective shareholding at an issue price of 10 cents each.

CONSOLIDATED	
31/12/03	30/06/03
\$	\$

7. Contingent Liabilities

The details and estimate maximum amounts of contingent liabilities that may become payable are set out below. The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Bank guarantee

The Company has guaranteed the Commonwealth Bank Business card facility. The Commonwealth Bank of Australia holds a term deposit of the same amount as security.

5,000	-
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Environmental

The Company provides for all known environmental liabilities. While the Directors believe that, based upon current information, its current provisions for the environmental rehabilitation are adequate, there can be no assurance that material new provisions will not be required as a result of new information or regulatory requirements with respect to known sites or identification of new remedial obligations at other sites.

TANTALUM AUSTRALIA NL HALF-YEAR FINANCIAL REPORT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003 continued...

Bonus

Under the Sale Agreement relating to the acquisition of Rare Resources NL by Tantalum Australia Operations Pty Ltd, a performance target was set out and may give rise to bonus payments upon satisfaction of specified conditions. The Directors however are of the opinion that until an economically recoverable reserves are established a provision is not required.

600,000

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8. Events Subsequent to Balance Date

There have been no material items, transactions or events subsequent to 31 December 2003, which relate to conditions existing at 31 December 2003 and require comment on, or adjustment to, the content of this report other than:

- (a) On 16 January 2004 the Company issued 5,537,500 shares pursuant to a Share Placement and raised a gross cash of \$354,000 and a debt/equity swap of \$89,000.
- (b) On 16 January the Company issued 750,000 shares at 8 cents each pursuant to the Licence Agreement entered into with Boston University.