



**CORPORATE DIRECTORY**

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**Directors**

Mr Michael Fotios  
Mr Timothy King  
Mr David Reynolds  
Ms Sasya Sebi

**Secretary**

Mr Peter Farrah

**Auditors**

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## CHAIRMAN'S REPORT

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Dear Shareholder,

During the 2004 year the Company has continued to progress its strategy of becoming a significant operator in the tantalum industry. The strategy encompasses:

- Mining of tantalum and associated minerals from projects in Australia and Africa in which Tantalum Australia NL ("Tantalum") has an interest, and/or purchasing tantalum through the African supply chain, depending on project economics;
- Concentrating material at Tantalum's Balcatta processing facility;
- Delivering concentrated material into the Company's off-take agreements; and
- Developing down stream technologies to provide potential for cost effective vertical integration.

The strategy of developing these segments together provides flexibility in the business model, whilst providing complementary risk management advantages. Significant progress was made towards implementing this strategy in the following areas.

Tantalum continued to develop its Mt Deans and Binneringie projects through additional drilling and pre-feasibility work, to determine the critical parameters necessary to support a development decision. Metallurgical work has commenced on the potentially world class Brockman project in an attempt to overcome the historical recovery issues.

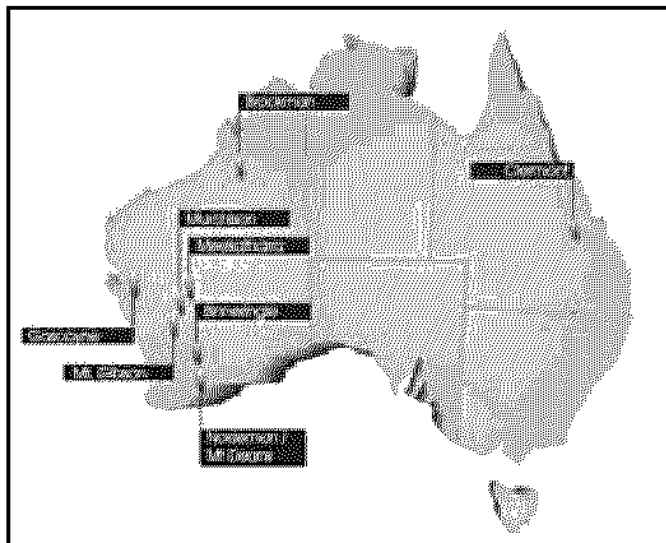
Tantalum worked extensively to complete the process of establishing the African concentrate supply chain, however, delays have occurred as a result of logistical issues. Tantalum is evaluating several African tantalum projects, that if acquired, will complement the supply chain and provide diversification of project risks.

The Company continued to build its off-take network by entering into additional off-take agreements with strategic industry participants. The progressive increase in tantalum demand during the year is indicative of a significant recovery in the tantalum market.

Success was achieved by Boston University in stage 1 of the SOM research project, with tantalum metal being synthesized from tantalum oxide and tantalum concentrates for the first time. The timing of stage 2 of this project is under review.

Finally, in my first year as Chairman, I would like to thank my fellow directors and all the staff for their hard work and support during the year.

Timothy King  
Chairman



## MANAGING DIRECTOR'S REVIEW OF OPERATIONS

### INTRODUCTION

The focus continues to be the development of an alternative independent reliable supply chain of tantalum raw materials based on supply from deposits in Australia and Africa. Significant advances were made in Africa reviewing projects establishing supply chain logistics and establishing a base in Durban.

Tantalum Australia is currently reviewing several advanced projects including the opportunity to earn a majority interest in a government owned mining operation in one of the target countries. An opportunity exists to take a lead development role in several African countries that have been part of the tantalum supply chain for over 30 years. The company's technical ability and success in developing its own operations in Australia has created strong interest with many potential African supply partners.

### TANTALUM MARKET OVERVIEW

Global electronics end user demand is the key driver of the tantalum concentrate market. Electronics demand consumes an estimated 60% of production with the aerospace sector consuming an estimated 25% of production. The remainder is consumed by non-corrosive inert equipment made for the industrial, chemical, medical and pharmaceutical sectors.

The beginning of the 2004 financial year saw electronics demand move into a cyclical up trend. This up trend continued through to the end of the period, however given significant inventories held at all stages of the supply chain demand for tantalum concentrates did not materialise until the later part of the financial year.

Demand came mainly from tantalum concentrate processors in China. Tantalum Australia was able to enter into a sales contract with a major Chinese processor and signed a Memorandum of Understanding with China's largest tantalum processor. Forecasts from electronics companies and industry associations going forward for the rest of 2004 have been positive in regards to continued improvement in demand. Demand has come from laptops, mobile phones, digital cameras, entertainment devices (Play station and Xbox) and Personal Digital Assistants (PDA's).

The aerospace demand remained at the bottom of its cyclical downtrend over the year. Demand for new commercial jet liners was weak as was demand for gas turbine engines for power stations. This sector has been in a down cycle since late 2002. Industry forecasts suggest an improved demand beginning in 2005 and being sustained through to 2006. Demand for other tantalum products remains stable at around an estimated 2-3% pa growth.

### MINING OPERATIONS

The Dalgaranga processing plant remained on care and maintenance pending an improvement in Tantalum concentrate prices.

A pilot gravity plant utilising the coarse jig circuit from the Dalgaranga plant was constructed at the Company's Balcatta premises and erected and commissioned at the Gascoyne leases in November 2003. Approximately 12,000 tonnes of bulk samples from the Arthur River alluvial/eluvial stream systems have been processed, and preliminary sampling is planned for the nearby Nardoo Well tenements.

The Balcatta Dry Dressing Plant was used to process Gascoyne raw concentrates, and also to carry out metallurgical evaluation of ores and concentrates from other sources both within and external to the company. A significant part of Balcatta activities involved the evaluation of concentrates and ores from potential supply sources in Africa.

Preliminary metallurgical testing of samples from the Brockman deposit was commenced, pursuant to the Joint Venture concluded with Aztec Resources Limited.

Evaluation of samples from further drilling of the Iron Duke gold prospect at Norseman was also commenced, as the initial stage of a feasibility study into the recommissioning of the Norseman CIP plant.

### RESEARCH AND DEVELOPMENT – Boston University

A review of the successful completion of Stage 1 R&D program of the green manufacturing SOM process R&D program with Boston University was undertaken. A world first was achieved in

## MANAGING DIRECTOR'S REVIEW OF OPERATIONS

tantalum metal being successfully synthesized from tantalum oxide and tantalum concentrates.

Together with Boston University a Stage 2 R&D program was developed. The timing of the commencement of this program is under consideration and a decision will be made simultaneously with the determination of the patent strategy for new IP developed during the R&D programme.

### EXPLORATION – Tantalum

Exploration focussed on Mt Deans, Brockman, Gascoyne and to a lesser extent Binneringie. The Arkaroola and Walwa projects were relinquished in line with company policy to focus on projects with potential for world class resources in areas favourable for development.

Evaluation of several projects in Southern and Central Africa is being undertaken in parallel with the concentrate procurement activities in these regions with a view to developing project tenure in areas that tantalum raw material are currently being sourced.

### Mt Deans

The Mt Deans project is located in the well forested Dundas Hills which extends 5-14km south of Norseman, Western Australia.

The Mt Deans pegmatites are well fractionated with respect to alkali elements, which is an encouraging indicator for rare metals, and in which sense is comparable to the Greenbushes deposit (a principal world producer of tantalum regarded as a "model-type"). A feature of this deposit is the consistent tantalum tenor: there are no barren quartz-core developments and little or no low-grade zones. More than 95% of assays are in the range 100-500ppm Ta<sub>2</sub>O<sub>5</sub>. The tantalum:niobium ratio is between 2 and 5:1.

The pegmatites are generally 5-8m thick and quite consistent in composition and extent. Some individual veins have been traced for over 1,100m. Those in the southern half of the zone tend to be flat lying (10-15°) whilst those to the north are moderately-to-steeply (45-85°) dipping.

RC drilling completed during the year focused on identifying extensions to the pegmatites on the western flank of Mt Deans (Western Lode System). Twenty-seven RC holes were drilled for

an advance of 1145 metres. Most of this work was concentrated in a zone at the southwest sector of the project area where earlier exploration had identified an extensive, flat-dipping pegmatite vein. In further defining the vein system in this area a new 10 metre thick steeply-dipping vein was located. The pegmatites in this region have an average tenor of about 320g/t Ta<sub>2</sub>O<sub>5</sub>. This grade of mineralization, together with the shallow nature of the mineralised pegmatites is a favourable parameter for any future mining developments.

Previously an indicated and inferred resource of 9,100,000t of pegmatite containing 4,300,000lb of Ta<sub>2</sub>O<sub>5</sub> and 3,460,000lb Sn had been identified within 60m of the ground surface.

### Binneringie

The Binneringie tenements, which cover about 4sq km, are located 60km east of Widgiemooltha and are adjacent to Haddington International Resources Ltd's Bald Hill project. Binneringie is approximately 90km northeast of the Mt Deans project.

Thirty-five RC holes were completed (1170metres) but were essentially for sterilization of particular areas identified as future plant and infrastructure sites. Whilst minor pegmatite units were intersected they did not have significant tantalum tenor to add to the metal inventory. The in-ground resources remain at about 498,000lb contained Ta<sub>2</sub>O<sub>5</sub>.

Bulk samples of ore material totalling about 1000 kilograms have been collected from a small pit near the centre of the resources and will be subjected to metallurgical test work at the Company's Balcatta facility.

### Brockman

Tantalum Australia has executed a Joint Venture Agreement with Aztec Resources Ltd to farm into the latter's Brockman Project in the East Kimberley District of Western Australia.

Brockman is located some 15km southeast of Halls Creek and comprises two Mining Lease applications that cover 20sq km of folded lower Proterozoic sediments and volcanic rocks. Rare earth mineralization was discovered more than 20 years ago and experienced intensive geological and metallurgical testing for the determination of chemical composition and extraction methodology.

## MANAGING DIRECTOR'S REVIEW OF OPERATIONS

Whilst of significant dimensions the mineralization was deemed uneconomic because of the difficulty in extracting the rare earths and zirconium and hence no development ever took place.

Besides the zirconium and rare earth elements the mineralized unit also contains niobium at an average grade of 4,400ppm Nb<sub>2</sub>O<sub>5</sub> and tantalum at 270ppm Ta<sub>2</sub>O<sub>5</sub>.

Previous studies showed that the niobium/tantalum mineralization was, at least in part, in the form of columbite and whilst it was very fine grained (10-20 micron) recoveries of over 50% were possible in the extractive systems designed for the zirconium. No methods aimed specifically at niobium have ever been documented.

The company has commenced a feasibility study on Brockman and is conducting its own extraction research of the rare metals from a surface bulk sample taken from near the centre of the Niobium Tuff outcrop.

### Gascoyne

This region is in a lower Proterozoic tectonic zone comprising ortho- and paragneisses and includes numerous sites from which mica and beryl were produced up to World War II. Several occurrences of tantalite, in pegmatite and alluvium, eg, Pyramid Hill, Beryl Hill and Morrissey Hill are recorded within the exploration licence areas. More recently, at Arthur River, approximately 3,000kg of coarse lump ferro-columbite have been produced from an unusual, hydrothermally kaolinized, pegmatite.

Tantalum Australia during the year concluded the acquisition of Rare Resources NL an unlisted company that holds the Gascoyne project including two mining leases and three exploration licence applications. Regional mapping and sampling has identified numerous tantalum bearing pegmatites developed over large areas. Future exploration will target detailed mapping and sampling of the pegmatites as well as bulk sampling of oxidised pegmatite and the adjacent alluvium/eluvium.

A joint venture agreement has been executed with BHP Billiton through which it can earn an interest

in Exploration Licence E09/1074 and explore for minerals (other than tantalum and niobium). BHP Billiton intends to carry out various geochemical and geophysical surveys in the search for Broken Hill type base metal mineralization.

### EXPLORATION – Gold

Whilst exploration of the Company's gold projects has been of subordinate interest to the tantalum program, an intensive RC drill program was completed at the Norseman project. RC drilling was also completed at the Meekatharra Project.

#### Norseman

The Norseman Project includes a number of old contiguous gold mining leases, aggregating approximately 3.5sq km adjacent to the Red White and Blue open pit and gold recovery plant. This area is centred about 6km south of Norseman and within 2km of the Company's Mt Deans project.

Gold mineralization at Surprise and Iron Duke Prospects is associated with the Mt Henry shear. The host rock for the mineralization is a series of metamorphosed tholeiitic basalts with minor interflow sediments. Subsequent shearing and metasomatism have produced a siliceous weakly sulphidic zone intruded by mineralised quartz veins which weathers to a "banded iron stone". Parts of the Iron Duke property have remnants of laterite.

As part of a feasibility study into the development of Norseman utilising the Company's existing infrastructure intensive RC drilling has been carried out at the Iron Duke, Surprise and Lucky Call prospects during the past year totalling 154 holes for an advance of 4838 metres. Principally, exploration took place on the Iron Duke tenement where the known gold-mineralized structure has been extended to 360metres in length. The structure containing the mineralised zones is moderately-dipping to the west and about 50 metres thick. The average grade is in the order of 2-2.5g/t. This broad zone, however, appears to include numerous, intermittent subvertical lenses of gold mineralization in which the average grade is in excess of 5g/t.

\*For detailed information and updates on the company's projects please visit the website [www.tantalumaustralia.com](http://www.tantalumaustralia.com)

**SUMMARY OF MINING TENEMENTS AND AREAS OF INTEREST**

As at 30 June 2004

Areas of interest	Tenements	Economic Entity's Interest	Joint Venture Partners
<b><u>WESTERN AUSTRALIA</u></b>			
<b>Broad's Dam</b>	G16/11	100	Kinross Option
	G16/12	100	Kinross Option
	G16/13	100	Kinross Option
	G16/14	100	Kinross Option
	M16/88	100	Kinross Option
<b>Broad Arrow</b>	G24/14	100	
	G24/15	100	
	G24/16	100	
<b>Dalgaranga</b>	M59/106	100	
	MLA59/553	100	Part E59/967
	MLA59/554	100	Part E59/967
<b>Meekatharra</b>	E51/319	100	
	E51/361	100	
	MLA51/691	100	formerly E51/319
	MLA51/692	100	formerly E51/319
	MLA51/693	100	formerly E51/319
	MLA51/708	100	formerly E51/324
	MLA51/701	100	formerly E51/361
	MLA51/702	100	formerly E51/361
	ELA51/984	100	
	ELA51/985	100	
	E51/290	75.76	} {Barrick Gold of Australia Ltd, Murchison Resources Pty Ltd}
	MLA51/695	75.76	
	MLA51/696	75.76	
MLA51/697	75.76		
MLA51/689	75.76		
MLA51/690	75.76		
MLA51/690	75.76		
<b>Mt Gibson South</b>	ELA59/875	75	Mawson West
	ELA59/876	75	Mawson West
	ELA59/890	75	Mawson West
<b>Norseman</b>	L63/46	100	
	P63/719	100	
	P63/749	100	
	P63/798	100	
	P63/799	100	
	P63/800	100	
	P63/801	100	
	P63/911	100	
	M63/172	100	
	M63/225	100	
	M63/226	100	
	M63/247	100	
	M63/262	100	
	M63/229	100	
	MLA63/369	100	Formerly P63/749

## SUMMARY OF MINING TENEMENTS AND AREAS OF INTEREST

Areas of interest	Tenements	Economic Entity's Interest	Joint Venture Partners
<b>Norseman cont.</b>	MLA63/347	100	Formerly P63/719
	MLA63/374	100	Formerly P63/800
	MLA63/375	100	Formerly P63/801
	MLA63/376	100	Formerly P63/798
	MLA63/377	100	Formerly P63/799
	MLA63/475	100	Formerly P63/911
<b>Binneringie</b>	M15/217	100	
	M15/468	100	
<b>Mt Deans</b>	P63/758	100	
	P63/945	100	
	P63/946	100	
	P63/947	100	
	P63/948	100	
	P63/949	100	
	P63/950	100	
	MLA63/397	100	Formerly P63/740,741,758
	MLA63/513	100	Formerly P63/945-950
MLA63/541	100	Formerly P63/1074,1075	
<b>Gascoyne</b>	ELA09/1099	100	
	ELA09/1100	100	
	ELA09/1136	100	
	ELA09/1137	100	
	M09/62	100	
	M09/75	100	
	ELA09/1047	100	BHP Billiton (Base Metals only)
	PLA09/417	100	
<b>Brockman</b>	MLA80/509	78	Brockman Minerals Pty Ltd and
	MLA80/510	78	Aztec Resources Limited
<b>QUEENSLAND</b>			
<b>Clermont</b>	MDL28	100	
	MDL103	100	
	MDL106	100	
	MDL143	100	

## DIRECTORS' REPORT

The directors present their report together with the financial report of Tantalum Australia NL ("parent entity" or "the company") and of the economic entity, being the parent entity and its controlled entities, for the year ended 30 June 2004 and the auditor's report thereon.

### Directors

The names of directors in office at any time during or since the end of the year are:

Mr Michael George Fotios  
Mr Timothy John King  
Ms Sasya Sebi  
Mr David Reynolds

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### Principal Activities

The principal activities of the economic entity during the financial year were the continued active exploration, evaluation and development programs on its tantalum and gold projects.

There were no significant changes in the nature of the economic entity's principal activities during the financial year.

### Operating Results

The consolidated loss of the economic entity for the year ended 30 June 2004 amounted to (\$2,987,102).

(2003: loss of \$4,630,934).

### Dividends

There were no dividends paid or declared during the year.

### Significant Changes in the State of Affairs

The following significant changes in the state of affairs of the economic entity occurred during the financial year:

- (a) On 31 July 2003, the parent entity entered into a license agreement with the Trustees of Boston University for the exclusive worldwide rights to the solid oxygen-ion-conducting membranes processing technology for the production of a number of metals including tantalum, niobium, yttrium, germanium, tungsten and nickel.
- (b) On 17 November 2003, Tantalum Australia Operations Pty Ltd, (a controlled entity), entered into an agreement to acquire all of the issued share capital of Rare Resources NL.
- (c) On 1 December 2003, Rare Resources NL (a controlled entity), entered into an agreement with BHP Billiton Minerals Pty Ltd (BHPB) for BHPB to earn an interest in one of Rare Resources NL's tenements in the Gascoyne region of WA and form a joint venture to explore for base metals on the tenement.
- (d) On 3 December 2003, the parent entity entered into an option agreement with the Trustees of Boston University to acquire the exclusive worldwide rights to the solid oxygen-ion-conducting membranes processing technology for the production of titanium and magnesium metals.
- (e) On 13 May 2004, Tantalum Australia Operations Pty Ltd entered into a 2 year agreement to supply tantalum concentrates to a Chinese refiner.
- (f) On 1 June 2004, Tantalum Australia Operations Pty Ltd (TAO) entered into an agreement with Aztec Resources Ltd for TAO to earn an interest in the "Brockman Tenements" in the Kimberley region of WA and form a joint venture to carry out a program of exploration and development for rare metals on the tenements.

### Events Subsequent to Reporting Date

On 3 June 2004, the company issued a prospectus for a fully underwritten non-renounceable rights issue to shareholders of the company to raise additional funds totalling \$1,521,177 through the issue of 25,352,955 shares in the company at an issue price of 6 cents each, on the basis of one new share for every ten shares held.

The closing date for the offer was 30 June 2004. The capital raising was subsequently completed during July 2004 following settlement of the application shortfall with the underwriters and allotment and issue of the new shares.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

## DIRECTORS' REPORT

### Future Developments

The economic entity will continue the exploration, evaluation and development programs on its tantalum and gold projects during the next financial year.

The company intends to raise additional capital during the next financial year to assist with financing the above activities.

### Environmental Issues

The economic entity's operations are subject to significant environmental regulation under the laws of the Commonwealth and State. The company monitors its compliance with environmental regulations on an ongoing basis. The Directors are not aware of any significant breaches during the period covered by this report.

### Information on Directors

The relevant qualifications and experience of the company's directors are set out in the following table:

Mr T. King	Non-Executive Chairman	Mr King is a Chartered Accountant with over 21 years experience in corporate finance, accounting and taxation. Formerly a partner with a West Perth accounting firm, Mr King is a director of several listed public companies including Western Areas NL, Sphere Investments Limited, Legend Corporation Ltd and is Chairman of Reclaim Industries Limited. Mr King is also Chairman of SIDS and Kids WA and the Rehabilitation Foundation. Mr King has extensive experience in the management, administration and financing of companies across a range of industries, including particularly the resource industry. He is a member of the Institute of Chartered Accountants, the Securities Institute of Australia, the Institute of Company Directors and the Taxation Institute of Australia.
Mr M. Fotios	Managing Director	Mr Fotios is currently the Managing Director of Tantalum Australia NL. He has a BSc (Hons) majoring in geology from UWA. Over the last 22 years he has had continuous involvement in the mineral exploration and mining industries, working for large companies such as Homestake Australia Ltd, Sons of Gwalia NL and also being involved in the junior exploration sector. He has also completed an evaluation of projects overseas including the Philippines and the United States focussing in the most part on gold, tantalum and to a lesser extent base metals.  Mr Fotios has been the Managing Director of the Company since 1992.
Ms S. Sebi	Non-Executive Director	Ms Sebi has 8 years experience in corporate management and finance and is on the board of several operating subsidiary companies of a Malaysian listed corporation. She has a B.Comm, Graduate Diploma of Economics and Master of Finance gained from Australian Universities.
Mr D. Reynolds	Non-Executive Director	Mr Reynolds is Manager of KEMET's Anode Manufacturing facility in Simpsonville South Carolina, USA. He has spent over 26 years working in various positions at Union Carbide and KEMET including Engineering and Manufacturing at various tantalum locations. He has been working directly with tantalum raw material since 1995 and has been a member of T.I.C. (Tantalum-Niobium International Study Centre) Executive Committee since 2001. He has a BS degree from the University of South Carolina.

### Directors' and Executive Officers' Emoluments

The board is responsible for determining and reviewing remuneration arrangements for the board and executive officers.

Further disclosure relating to directors' and executive officers' emoluments and remuneration practices is included in Note 6 of the financial report.

## DIRECTORS' REPORT

### Corporate Governance

The board recognises the need for the highest standards of corporate governance and accountability and has formally adopted a number of formal charters, codes and policies for the company with reference to the corporate governance principles and best practice recommendations published by the ASX Corporate Governance Council in March 2003.

A summary of the company's corporate governance practices is set out in the Corporate Governance Statement following this Directors' Report.

### Meetings of Directors

During the financial year, 11 meetings of directors were held. Attendances by each director during the year were:

	Board meetings attended
Mr M. Fotios	11
Mr T. King	11
Ms S. Sebi	6
Mr D. Reynolds	8

Due to the current size and composition of the company's board, the full board deals with all board related matters rather than delegating responsibilities to board committees.

### Directors' and Auditors' Indemnification

During or since the end of the financial year the company has not given an indemnity to, or entered an agreement to indemnify, its Directors and Auditors.

### Options

The company or controlled entities have not granted any options over unissued shares during or since the financial year to directors or any of the five most highly remunerated officers as part of their remuneration.

At the date of this report, the unissued ordinary shares of Tantalum Australia NL under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number Under Option
13 March 2001	28 February 2005	25 cents	1,095,000

During the year ended 30 June 2004 no issued options were exercised.

### Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the Board of Directors.

Michael George Fotios  
Director

Dated this                      day of                      2004.

## CORPORATE GOVERNANCE STATEMENT

During the 2004 financial year, the Company conducted a thorough review of its corporate governance practices against the 10 essential corporate governance principles and 28 best practice recommendations that were published in March 2003 by the ASX Corporate Governance Council. As a result of this review the Company has strengthened its corporate governance in certain areas and documented its corporate governance practices into a number of formal Charters, Codes and Policies, which were adopted by the directors at a board meeting of the Company in June 2004. Full details of the Company's corporate governance policies and procedures have been made publicly available on the Company's web site at [www.tantalumaustralia.com](http://www.tantalumaustralia.com)

Set out below is a summary of the Company's corporate governance practices that have been adopted with reference to the ASX Corporate Governance Council's 10 essential corporate governance principles.

Due to the current size and activities of the Company, the board has resolved not to adopt some of the best practice recommendations at this stage. In addition, the process of formally documenting and implementing policies and procedures relating to some of the best practice recommendations is still continuing. Where the Company has resolved not to comply or is not currently complying with a particular recommendation, the reasons for this are also detailed below.

### **Lay Solid Foundations for Management and Oversight (Principle 1)**

The Company has adopted a formal Board Charter that sets out the role and responsibilities of the board and those delegated to senior management.

The board is responsible for determining and monitoring the objectives and strategic direction of the Company. The senior management are responsible for the efficient and effective operation of the Company in accordance with the objectives and strategies determined by the Board.

### **Structure the Board to Add Value (Principle 2)**

#### **Board Composition:**

The Company's board as at the date of this Annual Report consists of four members, being the Chairman - Mr Timothy King, Managing Director - Mr Michael Fotios and two Non-Executive Directors - Ms Sasya Sebi and Mr David Reynolds.

The relevant qualifications and experience of the Company's directors are set out in the Directors' Report.

#### **Independent Directors:**

Best Practice Recommendations 2.1 and 2.2 recommend respectively that a majority of the board should be independent directors and the chairperson should be an independent director.

Tantalum Australia is evolving from an exploration company to a producer. As an exploration company, directors and the chairman have taken large equity risk positions to provide funding support, particularly at difficult times in the equity markets, and director's emoluments have been at the lower end of the scale. This has assisted in providing confidence to investors as to the focus and commitment of the Board to achieve its objectives, and to keep costs down. Consultancy arrangements with directors on an as needed basis have also assisted the Company to access required skills, but keep the cost structure flexible and competitive. Consequently none of the current directors of the Company are considered to be independent directors.

The need for access to supporting equity and skills as required, and a flexible cost structure have been greater imperatives for Tantalum Australia as an exploration company, than the largely mutually exclusive concept of independence, which is much more relevant to larger corporations with substantial workforces. However, as the Company is progressing from an explorer to a producer, albeit initially on a small scale, the concept of independence is becoming more relevant. The Company's requirement for access to director skills on a consulting basis is being replaced by the appointment of full time executives however, the large equity holdings and periodic consultancy arrangements of certain directors remain.

Whilst the Company will progressively increase the independence of its directors over time, compliance with the best practice recommendations in this area is not considered a current imperative, due to the additional direct cost of employing such directors, the view that there would not be an increase in board skills (only independence) and the risk that inefficiency will occur in the board decision making process whilst the independent directors become familiar with the Company's business.

The positions of chairman and managing director within the Company are held by different people. Their respective roles and responsibilities are set out in the Company's Board Charter.

## CORPORATE GOVERNANCE STATEMENT

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### **Board Nomination Committee:**

Best Practice Recommendation 2.4 recommends that the board should establish a nomination committee to assess the necessary competencies of board members, review board succession plans, evaluate the board's performance and make recommendations for the appointment and removal of board members. However, due to the current size and composition of the Company's board, the full board will be responsible for the above duties.

### **Appointment of Directors:**

The Board Charter sets out the Company's policy for the appointment of directors.

Directors are appointed under the terms of the Company's constitution. Appointments to the board are based upon merit and against criteria that serves to maintain an appropriate balance of skills, expertise and experience on the board. The categories considered necessary for this purpose are a blend of accounting and finance, business, industry and administration skills.

Directors are to be appointed pursuant to formal agreements. The expectations for time to be committed to attend board meetings and participate in committees and other activities of the Company should be set out in writing.

An induction pack should be provided to all new directors which includes information in relation to the Company's operations, structure, constituent documents, financial position and strategic and business plans.

### **Independent Professional Advice:**

If a director considers it necessary to obtain independent professional advice to properly discharge their responsibilities as a director of the Company then, provided the director first obtains approval for incurring such expense from the Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

### **Promote Ethical and Responsible Decision-Making (Principle 3)**

The Company has adopted a formal Code of Conduct for Company Directors and Senior Executives.

The Code requires directors and senior executives to act in the best interests of the Company and to promote and exercise the highest standards of ethics and integrity at all times in performing their duties for the Company.

The Company has also formally adopted a Share Trading Policy. The Policy sets out when trading in the Company's shares is permitted by directors, senior managers, employees and related parties and sets out procedures to limit the risk of insider trading.

### **Safeguard Integrity in Financial Reporting (Principle 4)**

As a mining exploration company, the Company provides a report on its activities to the ASX at the end of each quarter. In addition, the Company provides a copy of its audited half year and full year financial accounts to the ASX and ASIC.

### **Internal Sign off:**

Prior to signing off the half year and full year financial accounts and approving them for release to the market, the board requires the managing director and the chief financial officer to state in writing to the board that the financial accounts present a true and fair view, in all material respects, of the Company's financial position and operational results and are in accordance with relevant accounting standards.

### **Audit Committee:**

Best practice recommendations 4.2, 4.3 and 4.4 recommend that the board should establish an audit committee, consisting of independent, non-executive directors and adopt a formal charter setting out the committee's role and responsibilities.

As mentioned above with respect to a board nomination committee, due to the current size and composition of the Company's board, the full board will be responsible for the duties that would be assigned to an audit committee. The relevant duties are set out in the Company's Board Charter.

**CORPORATE GOVERNANCE STATEMENT**

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**Appointment of External Auditor:**

The board is responsible for selecting and appointing the Company's external auditor. The board is also responsible for monitoring and reviewing the independence and quality of the audit services provided.

**Make Timely and Balanced Disclosure (Principle 5)**

The Company's shares are listed on the ASX and as such the Company is required to comply with the continuous disclosure requirements set out in the ASX Listing Rules.

In order to ensure that the Company meets its obligations with regard to the continuous disclosure requirements, the Company has adopted a Continuous Disclosure Policy.

The Policy sets out the Company's obligations and its policies and procedures to ensure timely and accurate disclosure of price sensitive information to the market.

**Respect the Rights of Shareholders (Principle 6)**

The Company endeavours to provide shareholders with important information on the Company in a timely and efficient manner. The Company promotes direct communication with shareholders and encourages them to direct questions or requests for further information to the managing director, company secretary or the board.

The Company has adopted a Shareholder Communication Policy to formalise its practices in this regard.

In addition to direct mailing of information to shareholders, the Company posts up to date information on the Company's activities, together with copies of all information released to the ASX, on its web site.

Shareholder meetings are an important forum for investors to meet with the board and senior management and to discuss matters concerning the Company.

The Company's external auditor attends all annual general meetings of the Company and is available to answer shareholder questions regarding the conduct of the audit and the preparation and content of the auditor's report.

**Recognise and Manage Risk (Principle 7)**

The Company's board is responsible for ensuring that appropriate policies and procedures are in place to identify and manage risks throughout the Company. The Company currently has a range of risk management policies and procedures in place. However, as part of the Company's review of its corporate governance practices, the board has formulated guidelines from which to prepare a formal Risk Management Policy for the Company. The Company is aiming to have the formal Policy document completed by 31 December 2004.

As part of the ongoing monitoring of the Company's risk management policies, the board will require the managing director and the chief financial officer to state to the board in writing when presenting the half and full year financial statements, that to the best of their knowledge, the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and, that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

**Encourage Enhanced Performance (Principle 8)**

The board is responsible for reviewing its performance and that of its individual directors, committees (where appointed) and senior management.

A formal review will be conducted on an annual basis. The board will determine the scope and detailed procedures for assessing performance against both measurable and qualitative indicators.

The first formal review of individual directors' and senior executives' performances will be conducted by 31 December 2004.

Individual directors are expected to continually monitor and review their own performance and undertake ongoing education to ensure they have sufficient time, information, knowledge and skills to effectively discharge their duties and responsibilities to the Company.

## CORPORATE GOVERNANCE STATEMENT

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The chairman is responsible for ensuring that board meetings are held at regular intervals and that board packs contain the necessary information and are circulated in a timely manner prior to meetings to allow the directors to properly review and scrutinise the information to facilitate effective decision making.

### **Remunerate Fairly and Responsibly (Principle 9)**

Best Practice Recommendation 9.2 recommends that the board should establish a remuneration committee with responsibility for reviewing and making recommendations to the board on senior executive remuneration and incentive policies and packages and the remuneration framework for directors. However, due to the current size and composition of the Company's board, the full board will be responsible for the above duties.

The board recognises that its remuneration policy must be structured to attract, motivate and retain key employees and encourage them to deliver performance to create value for shareholders.

The board has agreed on the following set of key Remuneration Policy Guidelines from which to determine the remuneration policy for directors, senior executives and employees;

Individual reward should be based on performance across a range of measurable and qualitative indicators

Rewards to executives should be linked to creating value for shareholders

Remuneration arrangements should be equitable and facilitate the deployment of senior management across the various divisions of the Company

Remuneration packages should be comparable and competitive against remuneration packages of other companies within the industries which the Company operates.

### **Recognise the Legitimate Interests of Stakeholders (Principle 10)**

The Company has adopted a Corporate Code of Conduct for all of its employees in order to ensure the Company meets its legal and other obligations to legitimate stakeholders. These stakeholders include shareholders, customers, suppliers, employees and the community as a whole.

Employees are expected to apply the principles and guidelines set out in the Code at all times in carrying out their duties for the Company.

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	Economic Entity		Parent Entity	
		2004 \$	2003 \$	2004 \$	2003 \$
Revenues from ordinary activities	3	522,600	2,264,420	175,307	44,211
Changes in inventories of finished goods and work in progress		(69,303)	(1,590,683)	-	-
Inventory write off		-	(2,204,294)	-	-
Write-down of inventory to net realisable value		(575,524)	-	-	-
Employee benefits expenses		(499,761)	(326,266)	(335,133)	(176,474)
Depreciation and amortisation expenses	4	(289,639)	(866,629)	(71,914)	(98,605)
Borrowing costs		(37,837)	(7,213)	(21,592)	(7,213)
Consultancy expenses		(576,830)	(338,256)	(340,431)	(130,658)
Directors fees		(93,000)	(65,000)	(93,000)	(65,000)
Rehabilitation, mining and exploration costs		(307,020)	(757,589)	(31,403)	(109,598)
Legal fees		(228,157)	(16,868)	(194,464)	(4,046)
Research and development costs		(289,349)	(316,709)	-	-
Provision for doubtful debts	4	-	(75,807)	(1,965,309)	(1,394,956)
Other expenses from ordinary activities		(543,282)	(330,040)	(393,436)	(433,743)
<b>(Loss) from ordinary activities before income tax (benefit)</b>	4	<b>(2,987,102)</b>	<b>(4,630,934)</b>	<b>(3,271,375)</b>	<b>(2,376,082)</b>
<b>Income tax (benefit) relating to (loss) from ordinary activities</b>	5	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net (loss) attributable to members of the parent entity</b>		<b>(2,987,102)</b>	<b>(4,630,934)</b>	<b>(3,271,375)</b>	<b>(2,376,082)</b>
Basic earnings per share (cents per share)	8	(1.3)	(2.4)		
Diluted earnings per share (cents per share)	8	(1.3)	(2.4)		

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2004**

	Note	Economic Entity		Parent Entity	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>CURRENT ASSETS</b>					
Cash assets	9	245,189	304,430	231,709	108,339
Receivables	10	196,583	452,954	188,140	5,937,813
Inventories	11	86,694	17,392	-	-
Other	13	163,685	406,584	163,685	406,584
<b>TOTAL CURRENT ASSETS</b>		<b>692,151</b>	<b>1,181,360</b>	<b>583,534</b>	<b>6,452,736</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	10	704,192	631,253	6,490,816	580,223
Intangible assets	14	193,831	-	-	-
Property, plant and equipment	15	3,053,020	2,534,127	485,268	553,979
Exploration, evaluation, development expenditure	16	4,888,502	2,537,558	3,177,922	2,537,558
Other	13	-	338,633	-	338,633
<b>TOTAL NON-CURRENT ASSETS</b>		<b>8,839,545</b>	<b>6,041,571</b>	<b>10,154,006</b>	<b>4,010,393</b>
<b>TOTAL ASSETS</b>		<b>9,531,696</b>	<b>7,222,931</b>	<b>10,737,540</b>	<b>10,463,129</b>
<b>CURRENT LIABILITIES</b>					
Payables	17	1,835,946	1,584,761	1,553,496	1,229,869
Interest-bearing liabilities	18	172,659	384,554	128,769	384,554
Provisions	19	144,984	182,403	144,984	182,403
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,153,589</b>	<b>2,151,718</b>	<b>1,827,249</b>	<b>1,796,826</b>
<b>NON-CURRENT LIABILITIES</b>					
Provisions	19	712,778	657,992	604,278	610,992
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>712,778</b>	<b>657,992</b>	<b>604,278</b>	<b>610,992</b>
<b>TOTAL LIABILITIES</b>		<b>2,866,367</b>	<b>2,809,710</b>	<b>2,431,527</b>	<b>2,407,818</b>
<b>NET ASSETS</b>		<b>6,665,329</b>	<b>4,413,221</b>	<b>8,306,013</b>	<b>8,055,311</b>
<b>EQUITY</b>					
Contributed equity	20	42,078,778	38,556,701	42,078,778	38,556,701
Accumulated losses	21	(35,413,449)	(34,143,480)	(33,772,765)	(30,501,390)
<b>TOTAL EQUITY</b>		<b>6,665,329</b>	<b>4,413,221</b>	<b>8,306,013</b>	<b>8,055,311</b>

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	Economic Entity		Parent Entity	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		1,019,187	1,649,623	216,522	-
Payments to suppliers and employees		(2,551,338)	(2,936,379)	(2,201,723)	(1,529,702)
Interest received		41,500	27,132	32,274	25,052
Borrowing costs		(37,837)	-	(21,592)	-
<b>Net cash provided by / (used in) operating activities</b>	26	<b>(1,528,488)</b>	<b>(1,259,624)</b>	<b>(1,974,519)</b>	<b>(1,504,650)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sale of property, plant and equipment		-	4,262	-	2,344
Proceeds from sale of investments		-	14,625	-	14,625
Cash acquired through acquisition		324	-	-	-
Loans from associates (net of cash acquired)		500	-	-	-
Purchase of property, plant and equipment		(507,889)	(105,825)	(3,203)	(8,205)
Payments for exploration, evaluation and development		(956,141)	(384,452)	(628,000)	(318,189)
Environmental bond deposits refunded		13,629	14,578	11,128	14,578
<b>Net cash provided by / (used in) investing activities</b>		<b>(1,449,577)</b>	<b>(456,812)</b>	<b>(620,075)</b>	<b>(294,847)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of shares		3,483,326	1,269,760	3,483,326	1,269,760
Proceeds from sale of unmarketable parcels of shares		130,603	-	130,603	-
Repayment of hire purchase borrowings		(4,709)	(10,629)	(4,709)	(10,629)
Repayment of director's loan	6	(311,078)	-	(91,078)	-
Repayment of borrowings		(234,253)	-	(126,402)	-
Share issue costs		(165,922)	(64,798)	(165,923)	(64,798)
Loans provided to controlled entities		-	-	(527,853)	-
Loans from directors		20,000	368,768	20,000	368,768
<b>Net cash provided by / (used in) financing activities</b>		<b>2,917,967</b>	<b>1,563,101</b>	<b>2,717,964</b>	<b>1,563,101</b>
Net increase / (decrease) in cash held		(60,098)	(153,335)	123,370	(236,396)
Cash at 1 July 2003		304,430	457,765	108,339	344,735
Effect of exchange rates on cash holdings in foreign currencies		857	-	-	-
<b>Cash at 30 June 2004</b>	9	<b>245,189</b>	<b>304,430</b>	<b>231,709</b>	<b>108,339</b>

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report is a general purpose financial report that has been prepared in accordance with applicable Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the economic entity of Tantalum Australia NL and controlled entities, and Tantalum Australia NL as an individual parent entity. Tantalum Australia NL is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**(a) Principles of Consolidation**

A controlled entity is any entity controlled by Tantalum Australia NL. Control exists where Tantalum Australia NL has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Tantalum Australia NL to achieve the objectives of Tantalum Australia NL. A list of controlled entities is contained in Note 12 to the financial statements.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

**(b) Income Tax**

Legislation to allow groups, comprising a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantially enacted on 21 October 2002. At the date of this report the directors have not assessed the effect, if any, that the implementation of the tax consolidation system may have on the parent entity and the economic entity, and accordingly, the directors have not made a decision whether or not to elect to be taxed as a single entity.

Therefore the financial effect of the implementation of the tax consolidation system on the parent entity and the economic entity has not been recognised in the financial statements.

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

However, future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**(c) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs. The cost of mining stocks includes direct material, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**(d) Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

**Property**

Freehold land and buildings are measured on the fair value basis, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

**Plant and equipment**

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

**Depreciation**

The depreciable amount of the fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on either a straight line or reducing balance method over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Depreciation rates are reviewed at least annually and where necessary, adjusted to reflect the most recent assessments of the useful lives of the respective assets, having regard to such factors as asset usage and the rate of technical and commercial obsolescence.

In addition, depreciation methods are reviewed at least annually and, if there has been a change in the expected pattern of consumption or loss of future economic benefits, the method applied is changed to reflect the changed pattern.

The depreciation rates used for each class of depreciable assets during the year are:

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	20%
Plant and equipment	5%-40% (amended from 10%-40% in prior years)
Leased plant and equipment	10%-40%

**(e) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability. Lease payments received reduce the liability.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****(f) Investments**

Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for listed investments or the underlying net assets for other non-listed investments. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

**(g) Research and Development Expenditure**

Research and Development costs are charged to profit from ordinary activities before income tax as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those deferred costs.

**(h) Exploration and Development Expenditure**

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development and exploitation of the area of interest or alternatively by its sale and where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs are determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for the costs are accounted for on a prospective basis. In determining the costs of site restoration, there may be uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs are determined on the basis that the restoration will be completed within one year of abandoning the site.

**(i) Intangibles****Goodwill**

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Both purchased goodwill and goodwill on consolidation are amortised on a straight-line basis over the period of 3 years. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

**(j) Foreign Currency Transactions and Balances**

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES****(k) Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year arising from wages and salaries, annual leave and long service leave have been measured at their nominal amounts plus related on-costs. Other employee benefits, including related on-costs, payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the economic entity to employee nominated eligible superannuation funds and are charged as expenses when incurred.

**(l) Cash**

For the purpose of the statement of cash flows, cash includes:

- cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and
- investments in money market instruments with less than 14 days to maturity.

**(m) Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Revenue from rental properties is recognised when the company has a right to receive the rent in accordance with the lease agreement.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

**(n) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

**(o) Comparative Figures**

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

**(p) Adoption of Australian Equivalents to International Financial Reporting Standards**

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the 2005 financial year.

The economic entity's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. They will seek to keep stakeholders informed as to the impact of these new standards as they are finalised.

The directors are of the opinion that the key differences in the economic entity's accounting policies which will arise from the adoption of IFRS are:

*Exploration and Evaluation of Mineral Resources*

The IFRS standard on Exploration and Evaluation and Evaluation of Mineral Resources will not be issued until late 2004. The impacts of changes from Tantalum Australia NL's existing accounting policy, which is in accordance with AASB 1022 Accounting for Extractive Industries, are not yet determinable.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004****NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES***Impairment of Assets*

The economic entity currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets' use and subsequent disposal. In terms of pending AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

*Goodwill on Consolidation*

Under the proposed changes to the IAS 22: Business Combinations, goodwill is to be capitalised to the statement of financial position and subjected to an annual impairment test. Amortisation of goodwill is to be prohibited. Current accounting policy of the entity is to amortise goodwill on a straight line basis over the period of 3 years.

*Non-current Investments*

Under the pending AASB 139: Financial instruments: Recognition and Measurement, financial instruments that are classified as available for sale instruments must be carried at fair value. Unrealised gains or losses may be recognised either in income or directly to equity. Current accounting policy is to measure non-current investments at cost, with an annual review by directors to ensure that the carrying amounts are not in excess of the recoverable value of the instrument.

*Income Tax*

Currently, the economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the Australian equivalent to IAS 12, the economic entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

**(q) Going Concern**

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

The economic entity's ability to continue as a going concern is contingent upon raising additional capital to fund exploration commitments, other principal activities and 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 liabilities 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.

**NOTE 2: 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. This error relates to the incorrect treatment of the discount on acquisition from the buy back of a 50% interest in Tantalum Australia Operations Pty Ltd (controlled entity). The buy back from Kemet Corporation (vendor) involved the payment of \$250,000, and the cancellation of an off-take agreement.

The result of this error 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 June 2003.

The error has been corrected in the financial report for the year ended 30 June 2004.

The restated financial information for 2002 and 2003 is presented below as if the error had not been made.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004**

**NOTE 2: FUNDAMENTAL ERROR (CONT.)**

**Statement of financial position**

	Economic Entity		Parent Entity	
	2003 \$	2002 \$	2003 \$	2002 \$
Restatement of total current assets:				
As previously reported	1,181,360	2,953,656	6,452,736	6,878,115
Correction	-	(386,351)	-	-
Restated balance	<u>1,181,360</u>	<u>2,567,305</u>	<u>6,452,736</u>	<u>6,878,115</u>
Restatement of total non-current assets:				
As previously reported	6,041,571	7,170,647	4,010,393	3,907,781
Correction	1,717,133	386,351	-	-
Restated balance	<u>7,758,704</u>	<u>7,556,998</u>	<u>4,010,393</u>	<u>3,907,781</u>
Restatement of accumulated losses:				
As previously reported	(34,143,480)	(29,512,546)	(30,501,390)	(28,125,308)
Correction	1,717,133	-	-	-
Restated balance	<u>(32,426,347)</u>	<u>(29,512,546)</u>	<u>(30,501,390)</u>	<u>(28,125,308)</u>

**Statement of financial performance**

Restatement of rehabilitation, mining and exploration costs:

As previously reported	757,589	256,711	109,598	256,500
Correction	(496,330)	-	-	-
Restated balance	<u>261,259</u>	<u>256,711</u>	<u>109,598</u>	<u>256,500</u>

Restatement of changes in inventories of finished goods and work in progress:

As previously reported	1,590,683	2,552,542	-	-
Correction	(1,055,165)	-	-	-
Restated balance	<u>535,518</u>	<u>2,552,542</u>	<u>-</u>	<u>-</u>

Restatement of other expenses:

As previously reported	330,040	272,712	433,743	373,968
Correction	(165,639)	-	-	-
Restated balance	<u>164,401</u>	<u>272,712</u>	<u>433,743</u>	<u>373,968</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

## NOTE 3: REVENUE

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>Operating activities:</b>				
— Sale of goods	-	1,819,167	-	-
— Interest received-other persons	41,500	27,132	32,274	25,052
— Rebates	333,200	341,793	-	-
— Other revenue	145,113	2,190	143,033	2,190
	<u>519,813</u>	<u>2,190,282</u>	<u>175,307</u>	<u>27,242</u>
<b>Non-operating activities:</b>				
— Proceeds on disposal of property, plant and equipment	-	4,262	-	2,344
— Proceeds on disposal of non-current investments	-	14,625	-	14,625
— Foreign exchange gain	2,787	55,251	-	-
	<u>2,787</u>	<u>74,138</u>	<u>-</u>	<u>16,969</u>
<b>Total Revenue</b>	<u>522,600</u>	<u>2,264,420</u>	<u>175,307</u>	<u>44,211</u>

## NOTE 4: (LOSS) FROM ORDINARY ACTIVITIES

(Loss) from ordinary activities before income tax has been determined after the following:

## (a) Expenses

Cost of sales	-	1,590,683	-	-
Cost of investments sold	-	12,000	-	12,000
Depreciation of non-current assets:				
— plant and equipment	203,413	836,089	71,914	98,605
— leasehold improvements	30,846	30,540	-	-
Total depreciation (Note 15)	<u>234,259</u>	<u>866,629</u>	<u>71,914</u>	<u>98,605</u>
Amortisation of non-current assets:				
— Goodwill	55,380	-	-	-
Total amortisation	<u>55,380</u>	<u>-</u>	<u>-</u>	<u>-</u>
Write-down of non-current investments to recoverable amount	-	1,000	-	-
Foreign currency translation losses	1,930	33,756	-	-
Bad and doubtful debts:				
— trade debtors	-	75,807	-	-
— Wholly-owned subsidiaries	-	-	1,965,309	1,394,956
Total bad and doubtful debts	<u>-</u>	<u>75,807</u>	<u>1,965,309</u>	<u>1,394,956</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004**

**NOTE 4: (LOSS) FROM ORDINARY ACTIVITIES (CONT.)**

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>(b) Revenue and Net Gains</b>				
Net gain on disposal of non-current assets:				
— property, plant and equipment	-	(782)	-	(364)
— Investments	-	2,625	-	2,625
Foreign currency translation gains	857	21,495	-	-

**(c) Significant Revenues and Expenses**

The following significant revenue and expense items are relevant in explaining the financial performance:

Write-off of capitalised exploration expenditure	(307,020)	(736,644)	(31,403)	(109,598)
Consideration on disposal of investments	-	14,625	-	14,625
Carrying amount of investments sold	-	(12,000)	-	(12,000)
Net gain on disposal of investments	-	2,625	-	2,625

**NOTE 5: INCOME TAX**

**(a) The prima facie tax (benefit) is reconciled to the income tax (benefit) relating to the (loss) on ordinary activities as follows:**

Prima facie tax (benefit) on (loss) from ordinary activities before income tax at 30% (2003: 30%)	(896,130)	(1,389,280)	(981,412)	(712,825)
Decrease in tax benefit due to permanent differences	2,194	226,901	750	29,816
Decrease in tax benefit due to decision not to book future tax benefit due to uncertainty over future recovery of tax losses and timing differences (Note 5(b))	893,936	1,162,379	980,662	683,009
Income tax (benefit) attributable to (loss) from ordinary activities before income tax	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

**NOTE 5: INCOME TAX (CONT.)**

**(b) Deferred income tax (benefits) not taken to account:**

At 30 June 2004, the parent entity has unconfirmed estimated carried forward tax losses of (\$9,845,210), (2003: \$8,306,891).

At 30 June 2004, the economic entity has unconfirmed estimated carried forward tax losses of (\$22,275,380), (2003: \$18,011,112).

The potential future income tax benefit arising from tax losses and timing differences has not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond any reasonable doubt.

The potential future income tax benefit will only be obtained if:

- (i) The parent entity and/or the economic entity derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company of the economic entity in accordance with Division 170 of the Income Tax Assessment Act 1997;
- (ii) The parent entity and /or the economic entity continues to comply with the conditions for deductibility imposed by the law; and
- (iii) No changes in tax legislation adversely affect the parent entity and / or the economic entity in realising the benefit.

**NOTE 6: DIRECTORS' AND EXECUTIVES' REMUNERATION**

**(a) Names and positions held of parent entity directors and specified executives in office at any time during the financial year:**

**Parent Entity Directors:**

Mr T. King	Chairman (Non-executive)
Mr M. Fotios	Managing Director (Executive)
Ms S. Sebi	Director (Non-executive)
Mr D. Reynolds	Director (Non-executive)

**Specified Executives:**

Mr B. Rees	Exploration Manager
Mr T. Brittliffe	Operations Manager
Mr P. Raynor	Chief Financial Officer
Mr I. Kins	Business Development Manager
Mr P. Heydon	Mining Manager

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004**

**NOTE 6: DIRECTORS' AND EXECUTIVES' REMUNERATION (CONT.)**

**(b) Parent Entity Directors' Remuneration:**

	Primary		Total	
	Salary and Fees			
	2004	2003	2004	2003
	\$	\$	\$	\$
Mr T. King	41,200	52,520	41,200	52,520
Mr M. Fotios	156,334	155,000	156,334	155,000
Ms S. Sebi	15,000	15,000	15,000	15,000
Mr D. Reynolds	-	2,500	-	2,500
Mr H. Crowley	-	12,500	-	12,500
Mr K. Robinson	-	20,000	-	20,000
	212,534	257,520	212,534	257,520

The service and performance criteria set to determine remuneration are included per Note 6(g).

**(c) Specified Executives' Remuneration:**

	Primary				Total	
	Salary and Fees		Superannuation Contribution			
	2004	2003	2004	2003	2004	2003
	\$	\$	\$	\$	\$	\$
Mr B. Rees	114,600	114,600	26,664	-	141,264	114,600
Mr T. Brittliffe	115,784	18,999	-	-	115,784	18,999
Mr P. Raynor *	96,328	-	8,670	-	104,998	-
Mr I. Kins	84,000	84,000	-	-	84,000	84,000
Mr P. Heydon	100,000	100,768	9,000	-	109,000	100,768
	510,712	318,367	44,334	-	555,046	318,367

\*Commenced 01 October 2003. Annual base salary, inclusive of superannuation of \$140,000.

The service and performance criteria set to determine remuneration are included per Note 6(g).

**(d) Service agreements:**

Remuneration and other terms of employment for the Chairman, Managing Director and Non-Executive Directors are not currently formalised in service agreements. Similarly, there are no formal service agreements in place currently for the Operations Manager and the Business Development Manager. Employment terms for the other specified executives are for a base annual salary, inclusive of super, which is to be reviewed annually and a one month notice period required on termination.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004**

**NOTE 6: DIRECTORS' AND EXECUTIVES' REMUNERATION (CONT.)**

**(e) Option holdings of parent entity directors and specified executives:**

	Balance 1.7.03	Granted As Remuneration	Options Exercised	Net Change Other*	Balance 30.6.04**	Total Vested 30.6.04	Total Exercisable	Total Unexercisable
Parent Entity Directors:								
Mr T. King	500,000	-	-	(500,000)	-	-	-	-
Mr M. Fotios	1,000,000	-	-	(1,000,000)	-	-	-	-
Specified Executives:								
Mr B. Rees	500,000	-	-	(500,000)	-	-	-	-
Mr T. Brittliffe	500,000	-	-	(250,000)	250,000	250,000	250,000	-
Mr I. Kins	125,000	-	-	-	125,000	125,000	125,000	-
<b>Total</b>	<b>2,625,000</b>	<b>-</b>	<b>-</b>	<b>(2,250,000)</b>	<b>375,000</b>	<b>375,000</b>	<b>375,000</b>	<b>-</b>

\* The Net Change Other refers to options that expired during the year.

\*\* The Balance of options remaining at 30 June 2004 have an exercise price of 25c and expire on 28 February 2005.

**(f) Shareholdings of parent entity directors and specified executives:**

	Balance 1.7.03	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.6.04
Parent Entity Directors:					
Mr T. King (Note 6(i))	3,340,200	-	-	-	3,340,200
Mr M. Fotios (Note 6(i))	8,224,610	-	-	-	8,224,610
Specified Executives:					
Mr B. Rees	55,000	-	-	-	55,000
Mr I. Kins	3,429,527	-	-	(80,000)	3,349,527
<b>Total</b>	<b>15,049,337</b>	<b>-</b>	<b>-</b>	<b>(80,000)</b>	<b>14,969,337</b>

\* Net Change Other refers to shares purchased or sold during the year.

**(g) Remuneration practices:**

The company's policy for determining the nature and amount of emoluments for senior executives, including executive directors, is based on a number of factors, including length of service, experience and performance of the individual concerned, and overall performance of the company. The contracts for service between the company and senior executives are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement executives are paid employee benefit entitlements accrued to date of retirement. Any options not exercised before or on the date of termination remain vested and exercisable at any time prior to their expiry date.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004****NOTE 6: DIRECTORS' AND EXECUTIVES' REMUNERATION (CONT.)****(h) Loans to directors and director related entities:**

No loans were made to directors or their related entities during the year.

**(i) Other transactions with directors and director related parties:****Sub-underwriting:**

On 3 June 2004 Austminex NL and Michael Fotios ATF Michael Fotios Family Trust (both entities controlled by Mr Michael Fotios), and Rexfam Consulting Pty Ltd (a company in which Mr Timothy King has a relevant interest) each entered into a sub-underwriting arrangement with the underwriter of a non-renounceable rights issue capital raising by the parent entity.

Under the sub-underwriting arrangement Rexfam Consulting Pty Ltd had a sub-underwriting commitment to subscribe for \$200,000 of any shortfall. Austminex NL had a sub-underwriting commitment to subscribe for \$120,000 and Michael Fotios ATF Michael Fotios Family Trust had a sub-underwriting commitment to subscribe for \$180,000 of any shortfall.

No sub-underwriting fee was payable to the sub-underwriters.

**Conversion of debt to equity:**

In conjunction with the above sub-underwriting arrangements, on 3 June 2004 the parent entity entered into an agreement with Rexfam Consulting Pty Ltd to offset fees owed to Rexfam Consulting Pty Ltd by the parent entity for services performed on behalf of the parent entity totalling \$189,066 against the subscription amount for shares applied for by Rexfam Consulting Pty Ltd, at the election of Rexfam Consulting Pty Ltd, in the non-renounceable rights issue capital raising by the parent entity. The parent entity also entered into agreements with Austminex NL and Michael Fotios ATF Michael Fotios Family Trust on the same date to offset loan funds and fees owing to Austminex NL and Michael Fotios Family Trust respectively totalling \$252,977 against the subscription amounts for shares applied for by those entities in the non-renounceable rights issue capital raising.

As a result of the shortfall arising on the non-renounceable rights issue capital raising, the above \$189,066 debt to equity conversion of Rexfam Consulting Pty Ltd took place following the end of the financial year, during July 2004, in conjunction with the subscription for shares by Rexfam Consulting Pty Ltd in accordance with its sub-underwriting commitments. As a result of the sub-underwriting and their shareholder entitlements under the rights issue, Mr Tim King and his related entities' shareholdings in the parent entity increased by 3,667,356 shares from 3,340,200 to 7,007,556 shares.

In addition, \$215,496 of the above debt to equity conversion of Austminex NL and Michael Fotios Family Trust took place following the end of the financial year, during July 2004, in conjunction with the subscription for shares by those entities in accordance with their sub-underwriting commitments on the shortfall from the non-renounceable rights issue capital raising. As a result, Mr Michael Fotios and his related entities' shareholdings in the parent entity increased by 3,591,607 shares from 8,224,610 to 11,816,217 shares.

**Other services:**

Mr G. Fotios, father of Mr Michael Fotios, was paid \$35,680 as remuneration for services rendered to the economic entity during the year. Mrs N. Smith, mother in law of Mr Michael Fotios, was paid \$14,170 wages and superannuation for cleaning services and Mrs N. Fotios, sister in law of Mr Michael Fotios, was paid \$10,084 wages and superannuation for corporate secretarial services during the year.

The terms and conditions of the transactions with directors and director related parties and entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions with non-director related parties and entities on an arm's length basis.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004**

**NOTE 6: DIRECTORS' AND EXECUTIVES' REMUNERATION (CONT.)**

**(j) Loans from directors and director related entities:**

	Facility	Loans advanced	Accrued interest for the year	Actual Interest year end accrual	Interest rate	Accrued interest for the year	Actual year end accrual	Interest rate
			2004	2004	2004	2003	2003	2003
Director:	\$	\$	\$	\$	%	\$	\$	%
Mr M. Fotios (Note 6(i), 18)	225,000	108,768	8,113	11,045	7.5	2,932	2,932	7.5
Mr T. King (Note 6(i), 18)	20,000	20,000	867	867	7.5	-	-	-
Mr K. Robinson *	375,000	260,000	-	-	-	4,281	4,281	7.5

\* Resigned 1 July 2003 and loan was subsequently repaid during the year.

<b>NOTE 7: AUDITORS' REMUNERATION</b>	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Remuneration of the auditor of the parent entity for:				
— auditing or reviewing the financial report	26,000	20,000	26,000	10,000
— other services	73,060	2,000	73,060	12,000
	<u>99,060</u>	<u>22,000</u>	<u>99,060</u>	<u>22,000</u>

The audit fees of the subsidiary companies are borne by the parent entity.

<b>NOTE 8: EARNINGS PER SHARE</b>	Economic Entity	
	2004	2003
	\$	\$
(a) Net (loss) used in the calculation of basic and diluted EPS	(2,987,102)	(4,630,934)
(b) Weighted average number of ordinary shares used in calculation of basic and diluted EPS	234,121,872	194,156,814
(c) The 1,095,000 unlisted share options on issue which are exercisable at 25c each on or before their expiry date of 28 February 2005 have not been included in determining the basic or diluted EPS because due to the conditions existing at reporting date, it is not likely that the options will be exercised prior to their expiry date.		

<b>NOTE 9: CASH ASSETS</b>	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Cash at bank	77,451	199,785	63,971	3,694
Deposits at call	167,738	104,645	167,738	104,645
	<u>245,189</u>	<u>304,430</u>	<u>231,709</u>	<u>108,339</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004**

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
<b>NOTE 10: RECEIVABLES</b>	\$	\$	\$	\$
<b>CURRENT</b>				
Trade debtors	209,888	483,618	144,595	-
Provision for doubtful debts	(56,850)	(56,850)	-	-
	153,038	426,768	144,595	-
Other debtors	43,545	26,186	43,545	21,708
Amounts receivable from wholly-owned subsidiaries *	-	-	-	7,188,105
Provision for doubtful debts wholly-owned subsidiaries	-	-	-	(1,272,000)
	196,583	452,954	188,140	5,937,813
<b>NON-CURRENT</b>				
Bond term deposits	704,192	631,253	591,351	580,223
Amounts receivable from wholly-owned subsidiaries *	-	-	9,136,774	-
Provision for doubtful debts wholly-owned subsidiaries	-	-	(3,237,309)	-
	704,192	631,253	6,490,816	580,223

\* Amounts receivable from wholly owned subsidiaries have been reclassified as non current assets (AASB 1040).

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
<b>NOTE 11: INVENTORIES</b>	\$	\$	\$	\$
Raw materials – at cost	-	2,750	-	-
Work in progress – at net realisable value	-	14,642	-	-
Finished goods – at net realisable value	86,694	-	-	-
	86,694	17,392	-	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

## NOTE 12: CONTROLLED ENTITIES

## (a) Controlled Entities

	Country of Incorporation	Percentage Owned (%)	
		2004	2003
<b>Parent Entity:</b>			
Tantalum Australia NL	Australia		
<b>Controlled Entities:</b>			
Tantalum Australia Operations Pty Ltd	Australia	100	100
Rare Resources NL (Note 12(b))	Australia	100	-
Broad Arrow Mill Pty Ltd	Australia	100	100

## (b) Controlled Entities Acquired

On 1 November 2003 Tantalum Australia Operations Pty Ltd, a wholly owned subsidiary of Tantalum Australia NL, acquired Rare Resources NL for a non-cash consideration of \$299,666. The consideration involved the issue of 2,996,668 ordinary shares by Tantalum Australia NL to the shareholders of Rare Resources NL on the basis of one Tantalum Australia NL share for every three Rare Resources NL shares held, at an issue price of 10 cents each.

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>NOTE 13: OTHER ASSETS</b>				
<b>CURRENT</b>				
Drilling fund	130,324	400,000	130,324	400,000
Prepayments	33,361	6,584	33,361	6,584
	<u>163,685</u>	<u>406,584</u>	<u>163,685</u>	<u>406,584</u>
<b>NON-CURRENT</b>				
Drilling fund	-	338,633	-	338,633
Shares in other associated entities	-	-	-	1,000
Provision for diminution	-	-	-	(1,000)
	<u>-</u>	<u>338,633</u>	<u>-</u>	<u>338,633</u>
<b>NOTE 14: INTANGIBLE ASSETS</b>				
Goodwill at cost	249,211	-	-	-
Accumulated amortisation	(55,380)	-	-	-
	<u>193,831</u>	<u>-</u>	<u>-</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004**

<b>NOTE 15: PROPERTY, PLANT AND EQUIPMENT</b>	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>LAND AND BUILDINGS</b>				
At cost	87,322	87,322	87,322	87,322
<b>PLANT AND EQUIPMENT</b>				
Plant and equipment:				
At cost	6,385,625	5,907,163	921,511	918,309
Accumulated depreciation	(3,559,508)	(3,630,784)	(523,565)	(451,652)
	2,826,117	2,276,379	397,946	466,657
Leasehold improvements:				
At cost	254,816	254,816	-	-
Accumulated amortisation	(115,235)	(84,390)	-	-
	139,581	170,426	-	-
Total plant and equipment	2,965,698	2,446,805	397,946	466,657
<b>Total Property, Plant and Equipment</b>	<b>3,053,020</b>	<b>2,534,127</b>	<b>485,268</b>	<b>553,979</b>

**(a) Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the year:**

	Land at cost	Leasehold Improvements	Plant and Equipment	Total
	\$	\$	\$	\$
<b>Economic Entity:</b>				
Balance at the beginning of year	87,322	170,426	2,276,379	2,534,127
Add back carried forward discount on acquisition to be eliminated as assets are depreciated (Note 2)	-	-	1,173,472	1,173,472
Less correct discount on acquisition to be eliminated as assets are depreciated (Note 2)	-	-	(955,580)	(955,580)
Additions	-	-	536,772	536,772
Disposals	-	-	(28,014)	(28,014)
Discount on acquisition added back against above disposals	-	-	26,502	26,502
Depreciation expense	-	(30,845)	(384,469)	(415,314)
Discount on acquisition added back against above depreciation expense for the year	-	-	181,055	181,055
Carrying amount at the end of year	87,322	139,581	2,826,117	3,053,020

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004**

**NOTE 15: PROPERTY, PLANT AND EQUIPMENT (CONT.)**

(a) Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the year (cont.):

	Land at cost	Leasehold Improvements	Plant and Equipment	Leased Plant and Equipment	Total
	\$	\$	\$	\$	\$
<b>Parent Entity:</b>					
Balance at the beginning of year	87,322	-	466,657	-	553,979
Additions	-	-	3,203	-	3,203
Disposals	-	-	-	-	-
Depreciation expense	-	-	(71,914)	-	(71,914)
Carrying amount at the end of year	87,322	-	397,946	-	485,268

**NOTE 16: EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE**

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Costs carried forward in respect of areas of interest in exploration and evaluation phases	2,537,358	2,244,756	2,537,558	2,244,756
Costs incurred during the year	1,129,478	468,464	671,767	402,400
Addition through acquisition of controlled entity	29,244	-	-	-
Costs written off	(307,020)	(736,644)	(31,403)	(109,598)
Discount on acquisition (Note 2)	1,499,442	560,982	-	-
	4,888,502	2,537,558	3,177,922	2,537,558

Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>NOTE 17: PAYABLES</b>				
Trade creditors	997,272	1,158,088	889,346	903,312
Sundry creditors and accrued expenses	838,674	426,673	664,150	326,557
	1,835,946	1,584,761	1,553,496	1,229,869

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004**

<b>NOTE 18: INTEREST BEARING LIABILITIES</b>	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Unsecured liabilities:				
Directors' loans (Note 6(j))	20,000	-	20,000	-
Secured liabilities:				
Hire purchase	-	4,708	-	4,708
Chattel mortgages (Note 18(a),(b))	43,890	-	-	-
Directors' loans (Note 6(j),18(a),(c))	108,769	379,846	108,769	379,846
	<u>152,659</u>	<u>384,554</u>	<u>108,769</u>	<u>384,554</u>
<b>Total Interest Bearing Liabilities</b>	<u><b>172,659</b></u>	<u><b>384,554</b></u>	<u><b>128,769</b></u>	<u><b>384,554</b></u>

(a) The carrying amounts of non-current assets pledged as security are:

Mortgaged plant and equipment	112,302	-	-	-
Fixed charge over non current assets	265,597	295,107	265,597	295,107
<b>Total assets pledged as security</b>	<u><b>377,899</b></u>	<u><b>295,107</b></u>	<u><b>265,597</b></u>	<u><b>295,107</b></u>

(b) The Chattel mortgages are secured by certain plant and equipment of Tantalum Australia Operations Pty Ltd (controlled entity). The registered security interest over the mortgaged plant and equipment will be discharged once final repayment is executed on 7 October 2004.

(c) A loan agreement was entered into between the parent entity and Austminex NL (a company associated with Mr Michael Fotios, Managing Director of the economic entity). This loan is to provide working capital for the parent entity for an amount up to \$225,000. As at 30 June 2004, the loan was drawn down to \$108,768. The loan is secured by a fixed charge over tantalum concentrate currently held by the parent entity and a large ball mill in Norseman owned by the parent entity. The interest rate on the loan is 7.5% per annum. (Note 6(j)).

<b>NOTE 19: PROVISIONS</b>	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>CURRENT</b>				
Employee benefits (Note 19(a))	144,984	182,403	144,984	182,403
<b>NON-CURRENT</b>				
Employee benefits (Note 19(a))	40,578	49,792	40,578	49,792
Environmental bonds	672,000	608,000	563,500	561,000
Other bonds	200	200	200	200
	<u>712,778</u>	<u>657,992</u>	<u>604,278</u>	<u>610,992</u>
(a) Aggregate employee benefits	185,562	232,195	185,562	232,195
(b) Number of employees at year end	20	23	20	23

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004**

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>NOTE 20: CONTRIBUTED EQUITY</b>				
253,529,546 (2003: 208,713,897) fully paid ordinary shares (Note 20(a))	42,078,778	38,556,701	42,078,778	38,556,701
<b>(a) Ordinary shares</b>				
At the beginning of the reporting period	38,556,701	37,351,739	38,556,701	37,351,739
Shares issued during the year				
— 11,781,481 ordinary fully paid shares issued at 9 cents per share	1,060,333	-	1,060,333	-
— 2,996,668 ordinary fully paid shares issued at 10 cents per share-Rare Resources NL shareholders	299,666	-	299,666	-
— 20,000,000 ordinary fully paid shares issued at 8 cents per share	1,600,000	-	1,600,000	-
— 6,287,500 ordinary fully paid shares issued at 8 cents per share	503,000	-	503,000	-
— 3,750,000 ordinary fully paid shares issued at 6 cents per share	225,000	-	225,000	-
— 6,000,000 ordinary fully paid shares issued at 8 cents per share	-	480,000	-	480,000
— 2,533,307 ordinary fully paid shares issued at 6 cents per share	-	151,998	-	151,998
— 12,000,000 ordinary fully paid shares issued at 5 cents per share	-	600,000	-	600,000
— 755,234 ordinary fully paid shares issued at 5 cents per share	-	37,762	-	37,762
Transaction costs relating to share issues	(165,922)	(64,798)	(165,922)	(64,798)
	42,078,778	38,556,701	42,078,778	38,556,701

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004**

<b>NOTE 20: CONTRIBUTED EQUITY (CONT.)</b>	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
At the beginning of reporting period	208,713,897	187,425,356	208,713,897	187,425,356
Shares issued during year				
— 01 September 2003	11,381,481	-	11,381,481	-
— 10 October 2003	400,000	-	400,000	-
— 11 November 2003 *	2,996,668	-	2,996,668	-
— 17 December 2003	20,000,000	-	20,000,000	-
— 16 January 2004	6,287,500	-	6,287,500	-
— 9 June 2004	3,750,000	-	3,750,000	-
— 24 October 2003	-	1,000,000	-	1,000,000
— 15 November 2003	-	5,000,000	-	5,000,000
— 12 February 2003	-	2,533,307	-	2,533,307
— 23 June 2003	-	12,000,000	-	12,000,000
— 27 June 2003	-	755,234	-	755,234
At reporting date	<u>253,529,546</u>	<u>208,713,897</u>	<u>253,529,546</u>	<u>208,713,897</u>

\* On the acquisition of Rare Resources NL the parent entity issued 2,996,668 ordinary shares at 10 cents each to the shareholders of Rare Resources NL on the basis of one share for every three shares held in Rare Resources NL.

At meetings of shareholders, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

**(b) Options**

At reporting date there were 1,095,000 unlisted share options, exercisable at 25 cents each, on issue to employees. These options expire on 28 February 2005.

**NOTE 21: RETAINED LOSSES**

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Retained losses at beginning of year	(34,143,480)	(29,512,546)	(30,501,390)	(28,125,308)
Adjustment to opening retained losses upon correction of fundamental error (Note 2)	1,717,133	-	-	-
Net losses attributable to members of the parent entity	(2,987,102)	(4,705,744)	(3,271,375)	(2,376,082)
Deconsolidation of subsidiary	-	74,810	-	-
Retained losses at end of year	<u>(35,413,449)</u>	<u>(34,143,480)</u>	<u>(33,772,765)</u>	<u>(30,501,390)</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004**

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>NOTE 22: TOTAL EQUITY RECONCILIATION</b>				
Total equity at beginning of year	4,413,221	7,839,193	8,055,311	9,226,431
Adjustment to opening total equity upon correction of fundamental error (Note 2)	1,717,133	-	-	-
Total changes in parent and economic entity interest in equity recognised in statement of financial performance	(2,987,102)	(4,630,934)	(3,271,375)	(2,376,082)
Transactions with owners as owners:				
Contribution of equity	3,522,077	1,204,962	3,522,077	1,204,962
Total equity at end of year	<u>6,665,329</u>	<u>4,413,221</u>	<u>8,306,013</u>	<u>8,055,311</u>

**NOTE 23: CAPITAL AND LEASING COMMITMENTS**

**(a) Finance and Mortgage Commitments**

Payable				
— not later than 1 year	93,443	4,708	68,368	4,708
Minimum lease payments	93,443	4,708	68,368	4,708
Less future finance charges	(3,481)	(125)	(2,723)	(125)
Total Lease Liability	<u>89,962</u>	<u>4,583</u>	<u>65,645</u>	<u>4,583</u>

**(b) Operating Lease Commitments**

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable				
— not later than 1 year	93,072	88,632	93,072	88,632
— later than 1 year but not later than 5 years	62,048	150,680	62,048	150,680
	<u>155,120</u>	<u>239,312</u>	<u>155,120</u>	<u>239,312</u>

The property lease is a non-cancellable lease with a five-year term to 18 February 2006, with rent payable monthly in advance. Two options exist to renew the lease at the end of the five-year term for an additional term of 3 years each. The lease allows for subletting of part or all lease areas, conditional on landlord consent.

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>(c) Research and Development</b>				
Payable				
— not later than 1 year	-	80,700	-	-
— later than 1 year but not later than 5 years	-	146,800	-	146,800
	<u>-</u>	<u>227,500</u>	<u>-</u>	<u>146,800</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004**

**NOTE 23: CAPITAL AND LEASING COMMITMENTS (CONT.)**

**(d) Exploration expenditure**

In order to maintain current rights of tenure to exploration tenements, the economic entity and the parent entity are required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State Governments. These obligations are not provided for in the financial report and are subject to renegotiation when application for a mining lease is made and at other times.

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
Payable	\$	\$	\$	\$
— not later than 1 year	260,780	448,000	151,700	188,200
— later than 1 year but not later than 5 years	1,043,120	1,100,000	606,800	188,200
— Later than 5 years	-	1,950,000	-	-
	<u>1,303,900</u>	<u>3,498,000</u>	<u>758,500</u>	<u>376,400</u>

**NOTE 24: CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Estimates of the potential financial effect of contingent liabilities that may become payable:

**Bank guarantee**

The parent entity has provided a bank guarantee to a third party in relation to the business card facility. A term deposit of the same amount secures this guarantee.

5,000	-	5,000	-
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**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 economically recoverable reserves are established a provision is not required.

600,000	-	-	-
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**Environmental**

The economic entity 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

## NOTE 25: SEGMENT REPORTING

## Primary reporting – Business segments

	Gold		Tantalum		Other		Economic Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>REVENUE</b>								
External sales	-	-	-	1,819	-	-	-	1,819
Total segment revenue	-	-	-	1,819	-	-	-	1,819
Unallocated revenue							523	445
Total revenue from ordinary activities							523	2,264
<b>RESULT</b>								
Segment result	(82)	-	(1,054)	(3,000)	-	-	(1,136)	(3,000)
Unallocated expenses net of unallocated revenue							(1,851)	(1,631)
(Loss) from ordinary activities before income tax (benefit)							(2,987)	(4,631)
Income tax (benefit)							-	-
(Loss) from ordinary activities after income tax (benefit)							(2,987)	(4,631)
Net (Loss)							(2,987)	(4,631)
<b>ASSETS</b>								
Segment assets	4,255	3,958	4,628	3,128	-	-	8,883	7,086
Unallocated assets							649	137
Total assets							9,532	7,223
<b>LIABILITIES</b>								
Segment liabilities	2,144	561	361	47	-	50	2,505	658
Unallocated liabilities							361	2,152
Total liabilities							2,866	2,810
<b>OTHER</b>								
Acquisitions of non-current segment assets	3	8	168	98	-	-	171	106
Depreciation and amortisation of segment assets	72	44	162	767	-	56	234	867
Other non-cash segment expenses	31	26	793	2,204	-	117	824	2,347

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

**NOTE 25: SEGMENT REPORTING (CONT.)****Secondary reporting — Geographical segments**

The economic entity's business segments are located in Australia.

**Accounting Policies**

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists.

Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of accounts payable, employee entitlements, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

**Business Segments**

The economic entity has the following business segments:

- Gold division: Exploration of gold.
- Tantalum division: Exploration, research and development of tantalum.

	Economic Entity		Parent Entity	
<b>NOTE 26: CASH FLOW INFORMATION</b>	2004	2003	2004	2003
	\$	\$	\$	\$
<b>(a) Reconciliation of Cash Flow from Operations with (Loss) from Ordinary Activities after Income Tax</b>				
(Loss) from ordinary activities after income tax	(2,987,102)	(4,630,934)	(3,271,375)	(2,376,082)
Cash flows excluded from (loss) from ordinary activities attributable to operating activities:				
Non-cash flows in (loss) from ordinary activities				
Amortisation – Goodwill on consolidation	55,380	-	-	-
Depreciation	234,259	866,629	71,914	96,626
Write-off of capitalised exploration expenditure	307,020	736,644	31,403	109,598
Amounts set aside to provisions	(46,634)	12,213	(46,634)	12,213
Adjustment due to deconsolidation of associate	-	(74,810)	-	-
Net (gain) / loss on disposal of property, plant and equipment	1,512	(781)	-	(364)
Net gain on disposal of investments	-	(2,625)	-	(2,625)
Interest paid – financed equipment	19,969	-	3,724	-
Unrealised foreign exchange (gain) / loss	(854)	-	-	-
Provision for doubtful debts	-	516	1,965,309	1,215,666

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004**

**NOTE 26: CASH FLOW INFORMATION  
(CONT.)**

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
<b>(a) Reconciliation of Cash Flow from Operations with (Loss) from Ordinary Activities after Income Tax (Cont.)</b>	\$	\$	\$	\$
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in receivables	743,436	844,624	319,214	1,064,853
(Increase)/decrease in inventories	(69,303)	833,153	-	-
Provision for diminution in investments	-	-	-	1,000
Increase/(decrease) in trade creditors, accruals and provisions	213,829	155,747	415,355	478,000
Increase/(decrease) in loans with subsidiaries & associates	-	-	(1,463,429)	(2,103,535)
<b>Cash flow from operations</b>	<b>(1,528,488)</b>	<b>(1,259,624)</b>	<b>(1,974,519)</b>	<b>(1,504,650)</b>

**(b) Acquisition of controlled entities**

During the year 100% of the controlled entity Rare Resources NL was acquired.

Details of this transaction are:

Purchase consideration-non cash	299,666	-	-	-
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Assets and liabilities held at acquisition date

Cash	324	-	-	-
Receivables	74,240	-	-	-
Property plant and equipment	1,850	-	-	-
Exploration, evaluation and development expenditure	29,244	-	-	-
Payables	(43,950)	-	-	-
	61,708	-	-	-
Goodwill on consolidation	249,211	-	-	-

**(c) Non-cash Financing and Investing Activities**

Share issue

2,996,668 ordinary fully paid shares were issued at 10 cents each as the consideration for the purchase of Rare Resources NL.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004**

**NOTE 27: EMPLOYEE BENEFITS**

**Employees Share Option Arrangement**

On 13 March 2001, 2,690,000 unlisted share options were granted to employees to acquire 2,690,000 ordinary shares in the Company at an exercise price of 25 cents. The options hold no voting or dividend rights and are not transferable.

	Economic Entity		Parent Entity			
	2004	2003	2004	2003		
	\$	\$	\$	\$		
<b>(a) Movement in the number of share options held by employees:</b>						
Opening balance	1,345,000	2,690,000	1,345,000	2,690,000		
Lapsed during the year	(250,000)	(1,345,000)	(250,000)	(1,345,000)		
Closing balance	<u>1,095,000</u>	<u>1,345,000</u>	<u>1,095,000</u>	<u>1,345,000</u>		
<b>(b) Details of share options outstanding as at end of year:</b>						
Grant Date	Expiry and Exercise Date	Exercise Price	Number	Number	Number	Number
13.3.01	28.02.04	25 cents	-	250,000	-	250,000
13.3.01	28.02.05	25 cents	1,095,000	1,095,000	1,095,000	1,095,000
			<u>1,095,000</u>	<u>1,345,000</u>	<u>1,095,000</u>	<u>1,345,000</u>

**Superannuation plan**

The Parent Entity does not have a superannuation fund but makes contributions to accumulation funds nominated by the employees. Contributions are charged against income as they are made.

**NOTE 28: EVENTS SUBSEQUENT TO REPORTING DATE**

Subsequent to reporting date, during July 2004, the parent entity completed a fully underwritten non-renounceable rights issue capital raising to shareholders of the parent entity to raise \$1,521,177 from the issue of 25,352,955 shares at 6 cents each, on the basis of one share for every ten shares held. The financial effect of this transaction has not been brought to account in the 2004 financial report.

As a result of the capital raising and sub-underwriting agreements and debt to equity conversion agreements entered into with entities related to Mr Timothy King (Chairman) and Mr Michael Fotios (Managing Director) in relation to the capital raising, loans and other amounts owing to their related entities at the end of the financial year were subsequently repaid and the shareholdings of Mr Timothy King and Mr Michael Fotios and their related entities increased subsequent to the end of the financial year (Note 6(f),(i),(j)).

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004**

**NOTE 29: FINANCIAL INSTRUMENTS**

**(a) Interest Rate Risk**

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Within Year		1 to 5 Years		Over 5 Years		Non-interest Bearing		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
<b>Financial Assets:</b>														
Cash	2.6	2.5	245,189	304,430	-	-	-	-	-	-	-	-	245,189	304,430
Receivables	-	-	-	-	-	-	-	-	-	-	196,583	452,954	196,583	452,954
<b>Total Financial Assets</b>			245,189	304,430	-	-	-	-	-	-	196,583	452,954	441,772	757,384
<b>Financial Liabilities:</b>														
Payables	-	-	-	-	-	-	-	-	-	-	1,835,946	1,584,761	1,835,946	1,584,761
Interest bearing liabilities	7.5	7.5	-	-	172,659	384,554	-	-	-	-	-	-	172,659	384,554
<b>Total Financial Liabilities</b>			-	-	172,659	384,554	-	-	-	-	1,835,946	1,584,761	2,008,605	1,969,315

**(b) Credit Risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

**(c) Net Fair Values**

For financial assets and other assets and liabilities the net fair value approximates their carrying value.

**NOTE 30: COMPANY DETAILS**

The registered office of the parent entity is:

Tantalum Australia NL  
13 Mumford Place  
Balcatta WA 6021

The principal place of business of the parent entity is:

Tantalum Australia NL  
13 Mumford Place  
Balcatta WA 6021

**DIRECTORS' DECLARATION**

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The directors of the company declare that:

1. the financial statements and notes, as set out on pages 14 to 43 are in accordance with the *Corporations Act 2001*:
  - (a) comply with Accounting Standards and the *Corporations Regulations 2001*; and
  - (b) give a true and fair view of the financial position as at 30 June 2004 and of the performance for the year ended on that date of the company and economic entity;
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 Board of Directors.

Director

-----  
**Michael Fotios**

Dated this 30th day of September 2004

Chartered Accountants  
Business Advisers and Consultants



**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 both Tantalum Australia NL (the company) and Tantalum Australia NL (the consolidated entity), for the year ended 30 June 2004. 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, 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.

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.

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Consultant: V Zappavigna

Chartered Accountants  
Business Advisers and Consultants



**INDEPENDENT AUDIT REPORT (Cont'd)  
TO MEMBERS OF TANTALUM AUSTRALIA NL**

**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 company's and consolidated entity's financial position as at 30 June 2004, and of their performance for the year ended on that date; and
  - ii) complying with Accounting Standards in Australia 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(q), unless the economic entity is able to raise additional working capital to fund its ongoing exploration commitments and other activities, 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**

Signed at Perth this 30<sup>th</sup> day of September 2004

**ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES**

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is set out below.

**1. Shareholdings:**

**(a) Distribution of Shareholders**

Size of holding category (number of shares held)	Number of Holders	
	Ordinary Shares	Executive Options
1 – 1,000	14	-
1,001 – 5,000	96	-
5,001 – 10,000	198	-
10,001 – 100,000	979	-
100,001 – and over	340	2
	1,627	2

**(b)** The number of shareholders holding less than a marketable parcel is 190.

**(c)** The names of the substantial shareholders listed in the holding company's register as at 29 September 2004 are:

Shareholder	Number of Ordinary shares	% Held of Issued Ordinary Capital
United Overseas Bank Ltd	27,775,000	9.96
Kemet Tantalum Pty Ltd	22,049,538	7.90

**(d) Voting Rights**

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

**ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES**

**(e) 20 Largest Shareholders — Ordinary Shares**

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	United Overseas Bank Ltd	25,250,000	9.05
2.	Kemet Tantalum Pty Ltd	20,116,156	7.21
3.	Fotios Michael George	6,456,260	2.32
4.	Rexfam Trading Pty Ltd	5,453,107	1.96
5.	Irrewarra Investments Pty	5,250,000	1.88
6.	Bruges Pty Ltd	5,215,654	1.87
7.	Austminex NL	5,053,333	1.81
8.	Australia RBC Global Serv	4,541,667	1.63
9.	Perth Select Seafoods Pty	4,373,000	1.57
10.	Jemaya Pty Ltd	4,050,000	1.45
11.	Dixtru Pty Ltd	3,908,764	1.40
12.	Fakuba Pty Ltd	3,770,000	1.35
13.	Tewal Pty Ltd	3,349,527	1.20
14.	Maier Wolfgang	2,881,602	1.03
15.	Vista Blue Limited	2,770,000	0.99
16.	Ravina Ltd	2,700,000	0.97
17.	Synergy Gold Inc	2,525,000	0.91
18.	Coultas Susanne	2,500,000	0.90
19.	SGJ Investments Pty Ltd	2,287,787	0.82
20.	Pope Desmond James	2,200,000	0.79
		<b>114,651,857</b>	<b>41.11</b>

2. The name of the company secretary is Peter Farrah.

3. The address of the principal registered office in Australia is 13 Mumford Place, Balcatta, WA, 6021. Telephone: (08) 6241 1888

4. Registers of securities are held at the following addresses:

Western Australia: Security Transfer Registrars Pty Ltd, 770 Canning Highway, Applecross, WA, 6153.

5. **Stock Exchange Listing:**

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited.

6. **Unquoted Securities:**

Options over Unissued Shares:

A total of 1,095,000 options are on issue to employees.

