HUDSON

INVESTMENT GROUP LIMITED

ABN 25 004 683 729

Annual Report

2008

CORPORATE DIRECTORY

Hudson Investment Group Limited

ACN 004 683 729
ABN 25 004 683 729

Registered and Corporate Office
Hudson House
Level 2
131 Macquarie Street
Sydney NSW 2000
Telephone: (02) 9251 7177
Facsimile: (02) 9251 7500
Website: www.higl.com.au

Hudson Marketing Pty Limited's Operations
2 Kemp Street
Narngulu Geraldton WA 6530
Telephone: (08) 9923 3604
Facsimile: (08) 9923 3773

Board of Directors
J W Farey, Chairman / Chief Executive Officer
V Tan
R T Carson
P J Meers
J Tan

Share Registry

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne Vic 3001
Telephone: 1300 850 505 (within Australia)

Auditor

BDO Kendalls
Level 19
2 Market Street
Sydney NSW 2000
Telephone: (02) 9286 5555

Bankers

Australia & New Zealand Banking Group Limited
20 Martin Place
Sydney NSW 2000
Telephone: (02) 9227 1818

St George Bank Limited
Corporate & Business Bank
Level 5, 2-14 Meredith St
Bankstown NSW 2200
Telephone: (02) 8760 8100

Solicitors

Piper Alderman
Level 23 Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000
Telephone: (02) 9253 9999

Thompson Eslick
Solicitors
Suite 702, 65 York Street
Sydney NSW 2000
Telephone: (02) 9279 2822

Company Secretary

D L Hughes

ASX Code – HGL
Hudson Investment Group Limited shares are listed on the Australian Securities Exchange.

This financial report covers both Hudson Investment Group Limited as an individual entity and the consolidated entity consisting of Hudson Investment Group Limited and its consolidated entities.

Hudson Investment Group Limited is a company limited by shares, incorporated and domiciled in Australia.

CONTENTS

Annual General Meeting

The Annual General Meeting of Hudson Investment Group Limited will be held at Hudson House, Level 2, 131 Macquarie Street, Sydney NSW 2000 at 11.30 am on 25 May, 2009.

CHAIRMAN'S REPORT 2008

On behalf of the Board of Directors, I present the 2008 Annual Report for Hudson Investment Group Limited (Company).

During the financial year ending 31 December 2008 (and subsequent) the Company has together with its subsidiaries seen substantial progress and success in its operations.

An extensive overview of the operations conducted in 2008 (and subsequent) is included in the review of operations below.

Resulting primarily from a revaluation of the Company's property assets, reflecting market sentiment regarding the global financial crisis, the Company and its controlled entities ('the consolidated entity') recorded a net loss after tax of $6.083 million due to the yield being increased to a weighted average of the Company's property assets to 8.48%. On the positive side interest rates paid by the Company on its various loans have reduced to an average of around 5% p.a. (2007: 9% p.a.). Interest rates are anticipated to remain at this low level (and may even reduce further) and this has a positive impact on cash flows in the coming year.

Total shareholders funds as at 31 December, 2008 were $26.735 million and the NTA was 9.39 cents per share.

REVIEW OF OPERATIONS

The Company is an investment company which owns residential and industrial properties in Australia and New Zealand (2008 book value: $58.38 million). In July 2007 the Company acquired Hudson Marketing Pty Ltd, a leading supplier of attapulgite products used in the manufacture of pet litter and industrial absorbents (2008 sales: $8.8 million).

The Company holds a strategic investment in Hudson Resources Limited (HRS) of 47.25 million shares (46.79%) which in turn holds 30 million shares (60.45%) in Tiaro Coal Limited (TCM).

These subsidiaries are actively engaged in bauxite and coal exploration. Your Board believes that continued success in bauxite and coal exploration will result in significant returns to investors.

2008 Highlights

- Hudson Pacific Group Limited:
  - Warnervale property rezoned by NSW Dept of Planning.
  - Last vacant area of Essendon leased out.
- Hudson Marketing Pty Limited:
  - wins major supermarket contract to pack pet litter.
  - branded pet litter sales increase by up to 110%.
- The Company's Queensland coal portfolio increases from 3 to 14 tenements.
- Hudson Resources Limited:
  - accelerates bauxite exploration at Inverell, NSW; drilling program commences;
  - 23.4 million tonne attapulgite (inferred) resource confirmed.
- Tiaro Coal Limited drilling program for EPC 956 identifies coal intersections that may equate to *working sections*.

Chairman's Report cont'd

REVIEW OF OPERATIONS cont'd

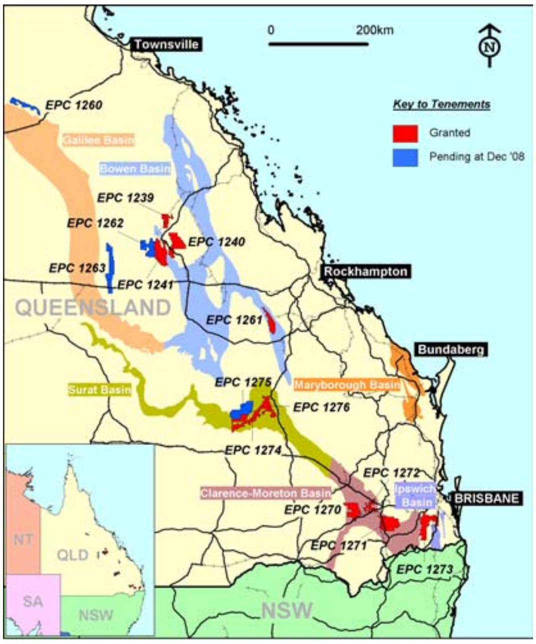
Bundaberg Coal Limited: (100% owned).

In May 2008 the Company advised that it had reached an agreement whereby it would acquire a 50% interest in 3 prospective coal tenements in Queensland's Surat Basin.

In February 2009 this portfolio expanded to 14 tenements, covering some 9,360 square kilometres over some of Queensland's highly productive coal basins, representing some of the largest coal reserves in Australia.

A full list of the 14 tenements can be found in the Shareholder Information section on page 80.

A joint venture agreement concluded during February 2009 with Queensland Thermal Coal Pty Limited incorporating the assignment of 50% interest in each of the tenements to Bundaberg Coal Pty Limited, a wholly owned subsidiary of the Company.



Queensland Tenements location map

Hudson Marketing Pty Limited (100% owned)

Hudson Marketing Pty Limited was acquired by the Company in July 2007 and is now a wholly owned subsidiary. It processes and markets attapulgite which is used in the manufacture of pet litter and industrial absorbents. The business continues to grow with annual sales for 2008 in the order of $8.8 million (ex GST); (2007: $5.6 million).

Asset Portfolio (100% owned)

The Company's property portfolio which consists of residential and industrial properties in Australia and New Zealand has a current book value of $58.38 million.

Essendon	The Company has a building area of 7,850m^2 on a 1.53 hectare site at Pascoe Vale Road Essendon Victoria. This site is fully leased and some of the existing tenants include SuperCheap Auto, Work Out World, Fitness First and Guardian Storage.
Warnervale	On a 44.5 hectare site, a 10,000m^2 factory and office complex on 6 hectares of land along Sparks Road/ Mountain Road Warnervale on the NSW Central Coast is leased to Bunnings Group Limited 100% owned by Wesfarmers Limited. The NSW Department of Planning in late 2008 rezoned part of this site as IN1 General Industrial. Part of the rezoned land will be acquired by Wyong Shire Council and the Company will be compensated based on market rates for the best use of the land.
Rouse Hill	A 7,700m^2 building area on this 2.134 hectares site is leased to Hudson Building Supplies Pty Limited. This property, located in the rapidly expanding north west corridor of Sydney, offers considerable growth potential for the consolidated entity. A Development Application to the local Council to increase the rentable area and add value to the site is pending.
Car Park	The Car Park at 131 Macquarie Street Sydney, wholly owned by Hudson Property Trust, continues to generate good returns for the consolidated entity.
Naming Rights - Building and Rooftop Signage	The consolidated entity owns the strata for the building naming rights for Hudson House and also the Hudson rooftop signage at the Company's head office at 131 Macquarie Street Sydney NSW.
New Zealand	The Company holds 12 residential apartments in the Auckland CBD of New Zealand which are managed by Hyatt Hotels, Auckland.

Chairman's Report cont'd

REVIEW OF OPERATIONS cont'd

INVESTMENTS

- **Hudson Resources Limited (HRS) (46.79% owned)**

  HRS is a mining and resource exploration company mining attapulgite and diatomite deposits.

  HRS has a bauxite strategy to identify commercially viable bauxite mineralisation and the development of a mining operation leading to upstream production facilities.

  Other investment assets of HRS are properties totalling 14.51 hectares at Geraldton WA, rights to royalties and upstream benefits in the Vasse coal project in WA.

  HRS also has a strategic 22.5% share in Hudson MPA Sdn Bhd in Malaysia with Joint Venture partners Malaysian Phosphates Sdn Bhd of Malaysia, Ashapura Minecham Limited of India and Safico Sdn Bhd, supplying bleaching earth to the South East Asian markets, particularly Malaysia.

Attapulgite (Fuller's Earth)

Exploration conducted by HRS resulted in the definition of a Joint Ore Resources Committee ("JORC") compliant Inferred Resource comprising 23.4 million tonnes of attapulgite at Lake Nerramyne, WA.

Measured, Indicated and Inferred Resources were defined during the drilling programme, to JORC compliant standards:

- Inferred Resource of attapulgite at Lake Nerramyne is 23.4 million tonnes including 9.4 million tonnes of high grade[1] attapulgite.
- Of the Inferred Resource, Indicated Resources is 5.87 million tonnes of attapulgite including 2.98 million tonnes of high grade attapulgite.

Map 1 - Lake Nerramyne WA location map

[1] High grade attapulgite is recognisable by the way it drills cleanly, producing abundant chips which readily wash free of clay. It is coherent and not plastic, not deforming under pressure and is generally free of sandy grains.

Chairman's Report cont'd

REVIEW OF OPERATIONS cont'd

Bauxite

Following the grant of EL 6997 (Inverell, NSW) in December 2007 HRS has accelerated its exploration programme and has identified extensive and almost continuous outcrops of bauxitic laterite.

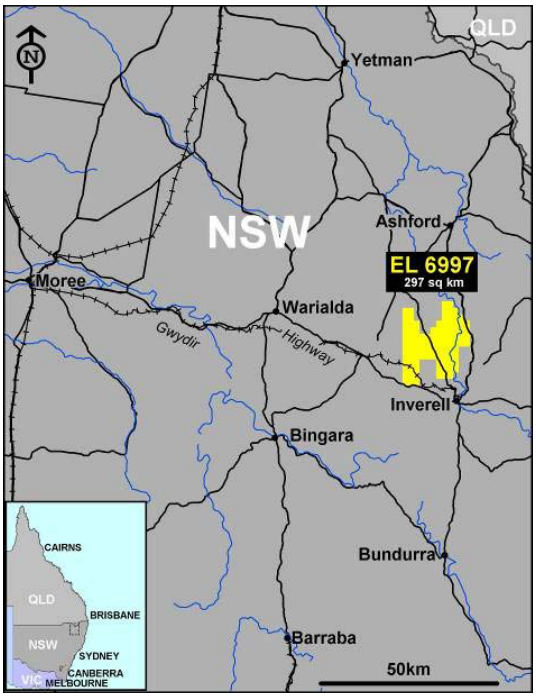
Promising assay results from samples were obtained from outcrops of bauxite which provided the impetus to embark on a drilling programme which commenced in January 2009.

Based on visual observations and assay results of the first 47 of 251 samples from bauxite outcrops received, the bauxite has the characteristics at EL 6997 as described in Table 1.

A metallurgical testing programme is underway and includes beneficiation by wet screening, determination of total and reactive silica, total and available alumina and other specialist chemical analyses, optical and electron microscope studies and assessment of beneficiated product quality.

Table 1.

	Al2O3	Fe2O3	SiO2	LOI
white bauxite	54-56%	7-8%	3-8%	26-27%
red bauxite	30-46%	13-36%	3-12%	20-24%



Project Inverell NSW location map

Table 1 - Bauxite characteristics

- **Tiaro Coal Limited (28.28% owned)**

Tiaro Coal Limited was listed in March 2008 to undertake exploration for commercially viable coal deposits with the potential to produce metallurgical (coking, PCI) coals from the Tiaro Coal Measures.

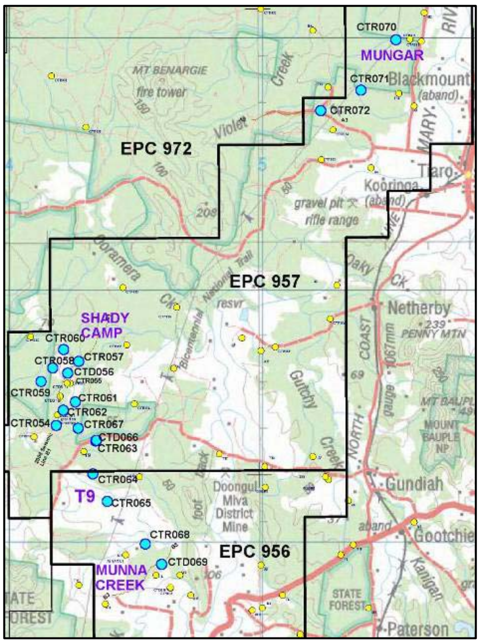
Since listing Tiaro has successfully completed coal exploration programmes consisting of:

- a detailed airborne magnetic and radiometric survey, to enable better selection of target zones for follow-up exploration;
- seismic surveys to define the targets for drilling;
- drill testing of the targets to define resources of high value (metallurgical) coal; and
- determination of coal quality

This programme is well advanced with the airborne magnetic, seismic surveys and drilling completed.

These tenements cover most of the known exposures of the Tiaro Coal Measures within the Mesozoic Maryborough Basin, located between Gympie and Maryborough in southeast Queensland.

The tenements are well serviced by nearby infrastructure, including manpower, mining support services, road, and rail and port facilities. The rail line bisects the exploration tenements.



2008 drillholes shown in blue, previous drillholes shown in yellow

Chairman's Report cont'd

REVIEW OF OPERATIONS cont'd

A drilling programme was recently completed for approximately 2,730 metres, of which 770m was diamond core drilling in three holes.

The programme was designed to confirm the stratigraphy and to test directly for the presence of coal seams, working sections and coal quality and is based on the interpreted results of the recently completed high quality airborne geophysical and seismic surveys.

Coal intersections that may equate to economic *working sections* were obtained in 4 percussion holes and 2 diamond drill holes.

Several coal seams with high CSN (swell) numbers indicative of high quality coking coal were intersected during 2008; washed product with approximately 10% ash (at about 40% yield) is expected.

2008 – Percussion Drilling

A major drilling programme is being designed to further test the areas identified during the 2008 drilling programme. There are a number of other target zones which will be tested in subsequent stages.

- **Savoy Equities Limited (6.64%)**

  This company has commissioned a supercritical fluid extraction plant in north eastern Victoria to produce a range of valuable oils, resins and other compounds sourced from waste streams by taking the extracted materials and converting them into specified products and marketing them. It has announced it is negotiating with parties on a number of waste streams involving its extraction technologies including the extraction of artemisinin from artemisia leaves as an early treatment and preventative measure against Malaria. Trials and discussions are continuing with companies to further develop the malaria preventative concept.

LITIGATION

Hudson Investment Group Limited is involved in two litigation matters which are covered in detail in the Directors' Report on page 9.

OUTLOOK FOR 2009

We recognise 2009 will be a challenging year for the entire Australian economy. However your Board is continually reviewing the consolidated entity's assets, operations and investments including improving the consolidated entity's existing property portfolio in order to increase the net worth of the consolidated entity.

The Board is of the view that important synergies exist within the consolidated entities and its recent acquisitions will add diversity to its asset portfolio with the potential of substantial returns to shareholders. Additionally an intensive programme of exploration and resources definition is currently underway within the group.

Your Board's objective continues to be adding value to investments of the consolidated entity by undertaking strategic investments including diversification that creates asset growth and profitability.

On behalf of your Board of Directors, I would like to thank all our employees for their contribution, and to our shareholders for their continuing support as we remain committed to increasing shareholder value.

J. W. Farey
Chairman/Chief Executive Officer

Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Hudson Investment Group Limited and the entities it controlled at the end of or during the year ended 31 December 2008.

Directors

The following persons held office as Directors of Hudson Investment Group Limited at anytime during or since the end of the financial year:

John W Farey	Chairman / Chief Executive Officer
Vincent Tan	Executive Director
Peter J Meers	Non-Executive Director
Robert T Carson	Non-Executive Director
Juliana Tan	Executive Director

All Directors have been in office since the start of the financial year.

Information on Directors

John W Farey, B.Com, FAIM, FAICD Age 64
Chairman and Chief Executive Officer

Experience and Expertise - John Farey has over 35 years experience in financial services including merchant and investment banking. Appointed a Director on 1 February 2002.

Other Current Directorships - Non-Executive Director Hudson Resources Limited

Former Directorships in Last 3 years of listed companies – None.

Special Responsibilities - Chairman of the Board of Directors; Member of the Audit Committee.

Vincent Tan B.Com & Admin, CA Age 58
Executive Director

Experience and Expertise - Vincent Tan worked previously as a Chartered Accountant. Appointed a Director on 26 September 2002.

Other Current Directorships - Executive Director of Hudson Resources Limited and Executive Director of Tiaro Coal Limited.

Former Directorships in Last 3 years of listed companies – None
Special Responsibilities – None

Peter J Meers B.A (Economics) FAIB Age 57
Non-Executive Director

Experience and Expertise - Peter Meers has extensive commercial experience having been employed with the ANZ Banking Group Limited for 25 years in Australia and South East Asia. Appointed a Director on 27 November 2003.

Other Current Directorships - Chairman and CEO of Hudson Resources Limited, Director and CEO of Tiaro Coal Limited.

Former Directorships in Last 3 years of listed companies – None
Special Responsibilities - Member of both the Remuneration Committee and the Audit Committee.

Robert T Carson Age 74
Non-Executive Director

Experience and Expertise - Robert Carson was the founder of the Carson Group. He has local and international experience in project management. Appointed a Director on 29 July 2003.

Other Current Directorships – None
Former Directorships in Last 3 years of listed companies - None

Special Responsibilities - Member of both the Remuneration Committee and Audit Committee.

Juliana Tan B.Com, CA Age 29
Executive Director

Experience and Expertise - Juliana Tan previously worked for PriceWaterhouseCoopers as a Chartered Accountant. She has been with the Company since 2003. Appointed a Director of the Company on 1 September 2007.
Other Current Directorships– None
Former Directorships in Last 3 years of listed companies – None
Special Responsibilities – None

DIRECTORS' REPORT cont'd

Company Secretary

David L Hughes

Mr Hughes was appointed to the position of Company Secretary on 20 September 2000. Before joining Hudson Investment Group Limited, he has held similar positions with other listed companies for over 20 years. He is currently acting as Company Secretary of the following other listed public companies: Latrobe Magnesium Limited, Hudson Resources Limited, Imperial Corporation Limited, Sinovus Mining Limited, Fall River Resources Limited and Tiaro Coal Limited.

Directors Meetings Attended

	Directors Meetings		Remuneration Committee Meetings		Audit Committee Meetings	
Director	Attended	Held Whilst in Office	Attended	Held Whilst in Office	Attended	Held Whilst in Office
JW Farey	7	7	–	–	2	2
V Tan	7	7	–	–	–	–
PJ Meers	6	7	1	1	2	2
RT Carson	6	7	1	1	2	2
J Tan	7	7	–	–	–	–

Retirement, Election and Continuation in Office by Directors

Mr P J Meers is the Director retiring by rotation pursuant to Article 12.3 of the Company's Constitution and being eligible, offers himself for re-election. Mr R T Carson, having attained the age of 74, retires in accordance with Article 12.10 of the Company's constitution and offers himself for reappointment as a Director.

Principal Activities

The principal activities of the consolidated entity during the financial year were as follows:

- investment and development of commercial properties in Australia and New Zealand;
- mining and exploration activities;
- strategic investment in listed and unlisted shares and businesses; and
- operation of corporate financial services.

Review of Operations

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the review of operations on pages 2 to 6 of this annual report.

Dividends

The Directors of the Company do not recommend that any amount be paid by way of dividend. In 2007, a special dividend of 0.5 cents per share was paid.

Likely Developments

Information on likely developments in the operations of the consolidated entity, known at the date of this report has been covered generally within the report. In the opinion of the Directors providing further information would prejudice the interests of the consolidated entity.

Operating Results

The consolidated net loss after tax for the financial year ended 31 December 2008 was $6,082,796 compared to a net profit of $8,790,206 for the previous corresponding period.

Total Shareholders' Funds as at 31 December 2008 are $26,735,245 and the NTA per share is 9.39 cents.

Additional information on the operations of the consolidated entity is disclosed in both the Chairman's Report and the Review of Operations section of this report.

Significant Changes in State of Affairs

Significant changes in the state of affairs of the consolidated entity during the period under review were as follows:

Since the end of the previous financial year and up to the date of this report the Company has acquired a further 5,312,399 shares in Hudson Resources Limited pursuant to the Creep Provisions of the Corporations Act, for a total consideration of $750,000 before costs.

DIRECTORS' REPORT cont'd

At the date of this report, the Company held 47,572,111 ordinary shares in the issued capital of Hudson Resources Limited representing 46.79% of that company's total issued capital.

Litigation

The Company obtained judgement in its favour on 8 June 2007 in an action in respect to an Entitlement Deed between the Company and Australian Hardboards Limited prepared by Atanaskovic Hartnell, the Company's former solicitors.

- The Company has commenced action against Atanaskovic Hartnell the Company's former solicitors, claiming the shortfall between the amount of its claimed entitlement and the settlement amount of $6.1 million. Further action is subject to direction in the Supreme Court of NSW to determine a hearing date.
- The Court dismissed OzEcom Limited's claims against the Company in relation to loss of the amount of the total capital raising of $10 million and loss of the alleged shortfall from the capital raising by OzEcom Limited to be $4.618 million. The Court found in favour of OzEcom's contractual case against the Company, but held that OzEcom had suffered no loss as a result. The court awarded judgement for OzEcom against the Company in the sum of $1.00. OzEcom appealed the decision and the Company is defending the appeal. The appeal is currently proceeding in the Supreme Court of NSW.

Matters Subsequent to Balance Date

Hudson Investment Group Limited

On 11 February 2009 the Company announced that a joint venture agreement was concluded with Queensland Thermal Coal Pty Limited which incorporates the assignment of a 50% interest in each of 14 coal tenements located in Queensland's Surat Basin, to Bundaberg Coal Pty Ltd, a wholly owned subsidiary of the Company.

On the 24 March 2009, the Car Park was revalued at $18.6 million from $20.8 million a reduction of $2.2 million which has been reflected in the 2008 financial accounts.

At the date of this report there are no other matters or circumstances, other than noted above, which have arisen since 31 December 2008 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2008, of the consolidated entity;
- the results of those operations; or
- the state of affairs, in financial years subsequent to 31 December 2008, of the consolidated entity.

Hudson Resources Limited

Since the end of the financial year 1,500,000 options exercisable at $0.15 were not exercised prior to their expiry date of 2 February 2009 and as a consequence have lapsed.

Tiaro Coal Limited

On 13 January 2009 the Company announced that it proposed to implement an on-market share buy-back scheme during the period 28 January 2009 to 28 April 2009.

The scheme provided for the Company to buy-back up to a maximum of 4,963,496 ordinary shares. At the date of this report the Company had acquired 218,174 shares for a total consideration of $44,339.

On 12 February 2009 Dynasty Metals Australia Limited announced that they will maintain their earned interest in EPC 956 and EPC 957 at 15%.

On 12 March 2009 a partial relinquishment, pursuant to section 139 (3) of the Mineral Resources Act 1989 (Qld) and the requirements of the Instrument of Permit, requiring the holders of EPC 972 to relinquish 19 sub-blocks and the holders of EPC 967 to relinquish 58 sub-blocks by 15 April 2009 was submitted to the Department of Mines and Energy.

On 30 March 2009 Maryborough Coal Limited lodged a third supplementary prospectus wherein it advised that the closing date for the Maryborough Coal Limited IPO was extended to 29 May 2009.

At the date of this report there are no other matters or circumstances, other than noted above, which have arisen since 31 December 2008 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2008, of the Group;
- the results of those operations; or
- the state of affairs, in financial years subsequent to 31 December 2008, of the Group.

Environmental Regulations

There are significant environmental regulations surrounding mining activities which have been conducted by Hudson Resource Limited and Tiaro Coal Limited. However, there has been no breach of these regulations during the financial year or in the period subsequent to the end of the financial year and up to the date of this report.

DIRECTORS' REPORT cont'd

REMUNERATION REPORT - AUDITED

This report outlines the remuneration arrangements in place for Directors and Executives of Hudson Investment Group Limited.

Remuneration Committee

The Remuneration Committee reviews and approves policy for determining Executive's remuneration and any amendments to that policy.

The Committee makes recommendations to the Board on the remuneration of Executive Directors (including base salary, incentive payments, equity awards and service contracts) and remuneration issues for Non-Executive Directors.

The members of the Hudson Investment Group Remuneration Committee during the period were:

Mr PJ Meers– appointed 27 November 2003

Mr RT Carson – appointed 29 July 2003

The Committee meets as often as required but not less than once per year.

The Committee met once during the period and Committee members attendance record is disclosed in the table of Directors Meetings below.

Options granted to directors and key management personnel do not have performance conditions. As such the Group does not have a policy for directors and key management personnel removing the "at risk" aspect of options granted to them as part of their remuneration.

Directors' and Other Key Management Personnel Remuneration

The following persons were Directors of Hudson Investment Group Limited during the financial year:

- John W Farey (Chairman/ Chief Executive Officer) – appointed 1 February 2002
- Vincent Tan (Executive Director) – appointed 26 September 2002
- Juliana Tan (Executive Director) – appointed 1 September 2007
- Peter Meers (Non-Executive Officer) – appointed 27 November 2003
- Robert T Carson (Non-Executive Director) – appointed 29 July 2003

Cash Bonuses

Cash bonuses granted to JW Farey, V Tan, PJ Meers, RT Carson, J Tan, F Choy and D Hughes were paid on 3 December 2008 at the discretion of the Remuneration Committee. The bonuses therefore vested 100% during the financial year ended 31 December 2008.

Performance Conditions

The elements of remuneration as detailed within the Remuneration Report are not dependent on the satisfaction of the individual's performance but the Hudson Investment Group's financial performance. The Group has been profitable in the last two years, thereby resulting in bonuses being paid.

The following persons were other key management personnel of Hudson Investment Limited during the financial year:

- Francis Choy (Chief Financial Officer of Hudson Investment Group Limited)
- David Hughes (Company Secretary) – appointed 20 September 2000

Executive's remuneration and other terms of employment are reviewed annually having regard to relevant comparative information and independent expert advice. As well as basic salary, remuneration packages include superannuation. Directors are also able to participate in an Employee Share Option Plan.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Group's operations.

Consideration is also given to reasonableness, acceptability to shareholders and appropriateness for the current level of operations.

Remuneration of Non-Executive Directors is determined by the Board based on recommendations from the Remuneration Committee and the maximum amount approved by shareholders from time to time.

DIRECTORS' REPORT cont'd

Remuneration Report cont'd

The Board undertakes an annual review of its performance and the performance of the Board Committees.

Details of the nature and amount of each element of the remuneration of each Director of Hudson Investment Group Limited and each specified executive of the Company and the Group receiving the highest remuneration are set out in the following tables. The remuneration amounts are the same for the Company and the Group.

Directors of Hudson Investment Group Limited

2008	Short Term Employee Benefits			Post Employment	Long Term Employee Benefits	
Name	**Cash salary and other fees**	**Bonus**	**Travelling Allowance**	**Super-annuation**	**Long Service Leave**	**Total**
John W Farey *	$ 144,822	$ 10,000	$ 10,291	$ 13,500	$ 2,503	$ 181,116
Vincent Tan *	$ 310,759	$ 15,000	$ 10,291	$ 23,815	$ 5,017	$ 364,882
Peter J Meers *	$ 206,042	$ 15,000	$ 10,291	$ 16,667	$ 895	$ 248,895
Robert T Carson^	$ 181,740	$ 5,000	-	-	-	$ 186,740
Juliana Tan^	$ 124,007	$ 10,000	-	$ 11,700	$ 3,256	$ 148,963
Total	**$ 967,370**	**$ 55,000**	**$ 30,873**	**$ 65,682**	**$ 11,671**	**$ 1,130,596**

* The amounts reported represent the total remuneration paid by entities in the Hudson Investment Group of companies in relation to managing the affairs of all the entities within the Hudson Investment Group. The remuneration has not been allocated between the individual entities within the Hudson Investment Group as this would not be practicable.

Other Key Management Personnel of Hudson Investment Group Limited

2008	Short Term Employee Benefits			Post Employment	Long Term Employee Benefits	
Name	**Cash salary and other fees**	**Bonus**	**Travelling Allowance**	**Super-annuation**	**Long Service Leave**	**Total**
F Choy * [1]	$ 138,523	$ 10,000	-	$ 12,375	$ 2,172	**$ 163,070**
D H Hughes* [2]	$ 74,945	$ 5,000	-	-	-	**$ 79,945**
	$ 213,468	**$ 15,000**	**-**	**$ 12,375**	**$ 2,172**	**$ 243,015**

* The amounts reported represent the total remuneration paid by entities in the Hudson Investment Group of companies in relation to managing the affairs of all the entities within the Hudson Investment Group. The remuneration has not been allocated between the individual entities within the Hudson Investment Group as this would not be practicable.

[1] Chief Financial Officer of Hudson Investment Group Limited

[2] Company Secretary

There are no performance conditions related to any of the above payments.

There is no other element of Directors and other Key Management Personnel remuneration.

DIRECTORS' REPORT cont'd

Remuneration Report cont'd

Directors of Hudson Investment Group Limited

2007	Short Term Employee Benefits		Post Employment	Long Term Employee Benefits			
Name	**Cash salary and other fees**	**Bonus**	**Super-annuation**	**Long Service Leave**	**Share based payments (options)**	**% of Total Remuneration**	**Total**
John W Farey *	$ 132,638	$ 30,000	$ 12,000	$ 8,334	-	-	$ 182,972
Vincent Tan *	$ 251,835	$ 50,000	$ 19,800	$ 10,663	$ 53,000	13.76%	$ 385,298
Peter J Meers *	$ 137,000	$ 50,000	$ 5,625	$ 1,100	$ 403,000	67.54%	$ 596,725
Robert T Carson	$ 73,000	$ 15,000	-	-	-	-	$ 88,000
Juliana Tan	$ 115,000	$ 30,000	$ 10,350	$ 5,717	-	-	$ 161,067
	$ 709,473	**$ 175,000**	**$ 47,775**	**$ 25,814**	**$ 456,000**		**$ 1,414,062**

* The amounts reported represent the total remuneration paid by entities in the Hudson Investment Group of companies in relation to managing the affairs of all the entities within the Hudson Investment Group. The remuneration has not been allocated between the individual entities within the Hudson Investment Group as this would not be practicable.

Other Key Management Personnel of Hudson Investment Group Limited

2007	Short Term Employee Benefits		Post Employment	Long Term Employee Benefits			
Name	**Cash salary and other fees**	**Bonus**	**Super-annuation**	**Long Service Leave**	**Share based payments (options)** [1]	**% of Total Remuneration**	**Total**
F Choy* [1]	$ 125,000	$ 30,000	$ 11,250	$ 5,600	-	-	$ 171,850
D H Hughes* [2]	$ 71,473	$ 15,000	-	-	13,250	13.29%	$ 99,723
	$ 196,473	$ 45,000	$ 11,250	$ 5,600	13,250		$ 271,573

* The amounts reported represent the total remuneration paid by entities in the Hudson Investment Group of companies in relation to managing the affairs of all the entities within the Hudson Investment Group. The remuneration has not been allocated between the individual entities within the Hudson Investment Group as this would not be practicable.

[1] Chief Financial Officer of Hudson Investment Group Limited

[2] Company Secretary

There are no performance conditions related to any of the above payments.

There is no other element of Directors and other Key Management Personnel remuneration.

Service Agreements

During the year, there were two service agreements in place formalising the terms of remuneration of directors for Peter Meers and Vincent Tan.

The service agreements commenced on 3 June 2008 and each have a term of 5 years.

The Director may terminate the agreement upon 6 months notice and the Company may terminate at any time without showing cause but must compensate the director by payment of all amounts that would have been paid to the director had the agreement run for its full term. The Company may terminate the agreement in the event of serious misconduct by the director without any compensatory payment.

The agreement stipulates that the remuneration of the directors is a fixed amount; however, that incentive payments will be considered from time to time in light of the Company's performance.

DIRECTORS' REPORT cont'd

Remuneration Report cont'd

Share Options Granted to Directors and other Key Management Personnel

There were no options granted during or since the end of the financial year to any of the Directors or other Key Management Personnel of the Company and the Consolidated Entity as part of their remuneration.

At the date of this report there were no unissued shares under option to Directors or other Key Management Personnel of the Company.

End of Remuneration Report

Directors' Interests

The relevant interest of each Director in the share capital of the Company as shown in the Register of Directors' Shareholdings as at the date of this report is:

Particulars of Directors Interest in the Issued Capital of the Company

	Ordinary Shares (Number)			
Director	**Direct Interest**	**Employee Share Plan**	**Indirect Interest**	**Total**
JW Farey	10,000	6,728,032	-	6,738,032
V Tan * [1]	140,580	4,000,000	129,762,176	133,902,756
PJ Meers	-	-	-	-
RT Carson	-	-	-	-
J Tan * [2]	-	362,000	4,140,580	4,502,580

*[1] Includes Ms J Tan's shares and indirectly holds 129,340,178 ordinary shares registered to related parties of Mr Tan
*[2] Includes Mr V Tan's shares

Share Options

Hudson Investment Group Limited

No options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Hudson Resources Limited

Unissued ordinary shares of Hudson Resources Limited under option at the date of this report are as follows:

Class	Date options granted	Expiry Date	Exercise Price	No. of Options
Employee	4 June 2007	4 June 2010	$0.09	5,000,000
Option A	12 September 2006	12 September 2009	$0.09	5,000,000
Option B	19 September 2007	19 September 2010	$0.15	2,500,000
				12,500,000

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

DIRECTORS' REPORT cont'd

Tiaro Coal Limited

Unissued ordinary shares of Tiaro Coal Limited under option at the date of this report are as follows:

Class	Date options granted	Expiry Date	Exercise Price	No. of Options
Performance Options	15 February 2008	30 November 2010	$0.50	5,000,000
Options A	14 May 2008	14 May 2009	$0.30	1,500,000
Options B	28 May 2008	28 May 2010	$1.00	1,750,000
Vendor Options	13 November 2007	13 November 2010	$0.30	20,000,000
IPO Options	3 March 2008	31 December 2009	$0.30	8,865,033
Executive Options	22 November 2007	31 December 2009	$0.30	5,250,000

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

Shares issued on the Exercise of Options

Hudson Resources Limited

100,000 options, expiring 31 August 2008, were exercised at $0.125 in August 2008. No options have been exercised in the period since the end of the financial year.

Tiaro Coal Limited

1,134,967 options, expiring 31 December 2009, were exercised at $0.30 during the financial year. No options have been exercised in the period since the end of the financial year.

Directors' and Officers' Indemnities and Insurance

During the financial year Hudson Investment Group Limited paid an insurance premium, insuring the Company's Directors, (as named in this report), Company Secretary, Executive officers and employees against liabilities not prohibited from insurance by the Corporations Act 2001.

A confidentiality clause in the insurance contract prohibits disclosure of the amount of the premium and the nature of insured liabilities.

Proceedings on behalf of the Company

No person has applied to the Court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in or on behalf of the Company with leave of the Court under Section 237 of the *Corporations Act 2001*.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor (BDO Kendalls) for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor.
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

DIRECTORS' REPORT cont'd

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$	$	**$**	$
During the year the following services were paid or payable to the auditor of the parent entity:				
Audit and review services fees paid or payable to:				
- Nexia Court & Co	**-**	25,006	**-**	10,281
- BDO Kendalls	**40,276**	17,200	**27,076**	12,750
	40,276	42,206	**27,076**	23,031
Taxation services:				
Amounts paid or payable to BDO Kendalls for non audit taxation services for the entity or any entity in the Group for review and lodgement of the income tax return	**14,200**	-	**4,200**	-
Other services including litigation assistance paid to Nexia Counts & Co.	**-**	2,467	**-**	-
Amounts paid or payable to BDO Kendalls for non-audit advisory services for the Group	-	14,950	-	-

Rounding of Amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 16.

Auditor

BDO Kendalls continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a Resolution of the Directors.

J W Farey
Chairmen / Chief Executive

V Tan
Director

Signed at Sydney
31 March 2009

BDO Kendalls

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ABN 57 908 209 104

DECLARATION OF INDEPENDENCE BY MELISSA ALEXANDER TO THE DIRECTORS OF HUDSON RESOURCES LIMITED

As lead auditor of Hudson Resources Limited for the year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Hudson Resources Limited and the entities it controlled during the period.

Melissa Alexander

Melissa Alexander
Partner

BDO Kendalls

BDO Kendalls
Chartered Accountants

Sydney, 31 March 2009

CORPORATE GOVERNANCE STATEMENT

Overview

The Company and the Board of Directors are committed to achieving and demonstrating the highest standards of corporate governance and aim to comply with the “Principles of Good Corporate Governance and Best Practice Recommendations” set by the ASX Corporate Governance Council ('CGC').

However, given the current size of both the Company's operations and the Board of Directors, it is not appropriate, cost effective or practical to comply fully with those principles and recommendations.

Where a recommendation has not been followed this fact has been disclosed together with the reasons for the departure.

Consistent with the ASX best practice recommendations, the company’s corporate government practices are regularly reviewed and are available on the Company’s website.

Compliance with ASX Corporate Governance Council best practice recommendations

The ASX listing rules requires public listed companies to include in their annual report a statement regarding the extent to which they have adopted the ASX Corporate Governance Council best practice recommendations.

This statement provides details of the company’s adoption of the best practice recommendations.

Principle 1 – Lay solid foundations for management and oversight.

Companies should establish and disclose the respective roles and responsibilities of board and management.

Board Responsibilities

The Board of Directors is accountable to shareholders for the performance of the group. In carrying out its responsibilities, the board undertakes to serve the interest of shareholders honestly, fairly and diligently.

The Board’s responsibilities are encompassed in a formal charter published on the Company’s website. The charter is reviewed annually to determine whether any changes are necessary or desirable.

The responsibilities of the Board include:

- reporting to shareholders and the market;
- ensuring adequate risk management processes exist and are complied with;
- reviewing internal controls and external audit reports;
- ensuring regulatory compliance;
- monitoring financial performance, including approval of the annual and half-yearly financial reports and liaison with the Company’s auditors;
- reviewing the performance of senior management;
- monitoring the Board composition, Director selection and Board processes and performance;
- validating and approving corporate strategy;
- reviewing the assumptions and rationale underlying the annual plans and approving such plans; and
- authorising and monitoring major investment and strategic commitments.

Director’s Education

The Company issues a formal letter of appointment for new directors setting out the terms and conditions relevant to that appointment and the expectations of the role of the director.

The Company also provides a formal induction process which provides key information on the nature of the business and its operations.

Continuing education is provided via the regular Board updates provided by the divisional chief executives.

Role of Chairman and Chief-Executive Officer

The Chairman is also the Chief Executive Officer and is responsible for leading the Board, ensuring that Board activities are organised and efficiently conducted and for ensuring the Directors are properly briefed for meetings. The Chairman is also responsible for implementing the consolidated entity’s strategies and Board policies.

The Chief Executive Officer has been delegated responsibilities for managing the day to day operations of the company.

Corporate Governance Statement cont'd

A formal charter is in place which lays out the duties and responsibilities of the CEO.

This charter also requires that the responsibilities and accountabilities of both the board of directors and the CEO are clearly defined. The assessment and monitoring of the CEO is the chief responsibility of the board.

Performance is assessed against pre-determined objectives on a regular basis.

The Chairman's other responsibilities include:

- Ensuring that general meetings are conducted efficiently and that shareholders have adequate opportunity to air their views and obtain answers to their queries.
- Present the view of the Board formally.

Principle 2 – Structure the board to add value

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Board of directors

Composition of the board

The Board is comprised of three executive directors and two non-executive directors all of whom have a broad range of skills and expertise.

The Chairman is also the Chief Executive Officer of the Company.

There is only one independent director.

In determining independence the board has regard to the guidelines of directors independence in the ASX Corporate Governance Council and Best Practice Recommendations and other best practice guidelines.

The Company does not comply with recommendations 2.1, 2.2 and 2.3 which recommend that a majority of the Board should be independent directors. The chair should be an independent director and the roles of the chair and chief executive officer should not be exercised by the same individual.

At this stage of the Company's development, the Board considers it's neither appropriate nor cost effective for there to be a majority of independent directors, an independent chairman and a separate chief executive officer.

This matter continues to be under review and as circumstances allow, consideration will be given to the appropriate time to move to adopting the ASX Corporate Governance Guidelines.

The Board considers that its composition provides for the timely and efficient decision making required for the company in its current circumstances.

The Board's size and composition is subject to limits imposed by the Company's constitution which provides for a minimum of three directors and a maximum of ten.

Details of the members of the Board, their experience, expertise and qualifications are set out in the Directors' Report on page 7.

The position / status and term in office of each director at the date of this report is as follows:

Name of Director	Position/Status	Term in Office
John W Farey	Chairman/Chief Executive Officer / Non-independent	7 years 2 months
Vincent Tan	Executive Director / Non-independent	6 years 6 months
Peter J Meers	Non-Executive Director / Non-independent	5 years 4 months
Robert T Carson	Non-Executive Director / independent	5 years 8 months
Juliana Tan	Executive Director / Non-independent	2 year 7 months

The Board currently holds 6 scheduled meetings each year together with any ad hoc meetings as may be necessary. The Board met 7 times during the year and Directors' attendance is disclosed on page 8 of the Director's Report.

Access to Independent Professional Advice

All directors are required to bring an independent judgement to bear on board decisions.

Corporate Governance Statement cont'd

To facilitate this, each Director has the right of access to all relevant Company information and to the Company's Executives. The Directors also have access to external resources as required to fully discharge their obligations as Directors of the Company. The use of this resources is co-ordinated through the chairman of the board.

Nomination Committee

The role of the nominations committee is undertaken by the full board.

The Board reviews its composition on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience. External advisers may be used to assist in such a process. The Board will then appoint the most suitable candidate who must stand for election at the next general meeting of shareholders.

For directors retiring by rotation, the board assesses the director before recommending re-election.

The Australian Stock Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" recommends the appointment of a Nomination Committee for prospective Board appointments. The Board considers that the Company and the Board are currently not of sufficient size to justify the establishment of a seperate Nomination Committee.

Board Performance Evaluation

The Company has processes in place to review the performance of the Board and its committees and individual directors. Each year the Board of Directors give consideration to broad corporate governance matters, including the relevance of existing committees and to reviewing its own and individual directors performance. The Chairman is responsible for monitoring the contribution of individual directors and consulting with them in any areas of improvement.

Individual directors use an approved form to assess the performance of the board and the chairman.

Principle 3 – Promote ethical and responsible decision making.

Companies should actively promote ethical and responsible decision making.

Code of Conduct

The Board acknowledges the need for continued maintenance of the highest standards of Corporate Governance Practices and ethical conduct by all Directors and employees of the consolidated entity.

The Company has established a code of conduct applicable to all Directors and employees. The requirement to comply with the code is mandatory and is communicated to all employees. The code sets out standards of conduct, behaviour and professionalism.

The shareholder communications strategy, the securities trading policy and the continuous disclosure policy collectively form a solid foundation for the Company's ethical practices.

Policy on Dealing in Company Securities

The Company has a policy on how and when the Directors and employees may deal in the Company's securities. The purpose of this policy is to ensure that the Directors and employees deal in the Company's securities in a manner which properly reflects their fiduciary duty, and that they do not transact in those securities whilst in possession of price sensitive information.

This policy requires all Directors and employees to seek approval from the Chairman and Company Secretary prior to dealing in the Company's securities.

The company has introduced compliance standards and procedures to ensure that the policy is properly implemented. In addition there is also an internal review mechanism to assess compliance and effectiveness.

Details of both the company's code of conduct and share trading policy have been posted on the company's website.

Principle 4 – Safeguard integrity in financial reporting.

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

Audit Committee

The Board has established an audit committee comprising two non-executive directors one of whom is chairman, and one executive director.

All the members of the committee have appropriate and relevant financial experience.

Corporate Governance Statement cont'd

The members of the audit committee during the year were:

- Mr RT Carson (Chairman)
- Mr JW Farey
- Mr PJ Meers

The committee met twice during the year and the members attendance records is disclosed in the table of directors' meetings included in the Directors' Report on page 8.

The committee has a formal charter which has been reviewed by the committee and the board.

The minutes of the committee meetings are reviewed in the subsequent meeting of the board and the chairman of the committee reports on the committees Conclusions and recommendations.

The responsibilities of the Audit Committee include:

- reviewing the annual and half year financial reports to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- monitoring corporate risk management practices;
- review and approval of the consolidated entity's accounting policies and procedures;
- reviewing the nomination, performance and independence of the external auditors; and
- organising, reviewing and reporting on any special reviews or investigations deemed necessary by the Board.

The structure of the audit company does not comply with recommendations 4.2 in that it does not consist of only non-executive directors. This matter continues to be under review and as circumstances allow consideration will be given to the appropriate time to adopt the ASX Corporate Governance Guideline.

The audit committee has received confirmation in writing from the Chief Executive Officer and Chief Financial Officer that:

The company's Financial Report for the financial year ended 31 December 2008 present a true and fair view in all material respects of the Company's financial position and operational result and are in accordance with relevant accounting standards.

External Auditors

The full Board is responsible for the appointment, removal and remuneration of the external auditors, and reviewing the terms of their engagement, and the scope and quality of the audit. In fulfilling its responsibilities, the Board receives regular reports from management and the external auditors at least once a year, or more frequently if necessary. The external auditors have a clear line of direct communication at any time to the Chairman of the Board.

The current auditors, BDO Kendalls, were appointed in 2007. The Australian accounting bodies' statement on professional independence requires mandatory rotation of audit partners for listed companies every five years. BDO Kendalls confirms that they conform with the requirements of this statement.

BDO Kendalls are required to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

Principle 5 – Make timely and balanced disclosure.

Companies should promote timely and balanced disclosure of all material matters concerning the company.

The Company promotes timely and balanced disclosure of any material matters concerning the company.

The company has a written policy on information disclosure that focuses on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the company's securities.

The Company Secretary in consultation with the Chairman, is responsible for communications with the ASX. He is also responsible for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules, and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the general public.

A copy of the company's policy of continuous disclosure is posted on the Company's website.

Principle 6 – Respect the rights of shareholders

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

Corporate Governance Statement cont'd

Communication with Shareholders

The Board recognises and respects the rights of our shareholders as the beneficial owners of the Company. In order to facilitate the effective exercise of those rights, the Company follows a communications strategy that aims to empower shareholders by:

- communicating effectively with them;
- providing easy access to balanced and understandable information about the Company; and
- encouraging and facilitating shareholder participation in general meetings.

The Company achieves this through the following avenues:

i) Regular mailings
The Company provides shareholders with copies of all announcements made to the ASX by mail on request. Copies are also available via an electronic link to the ASX web site, ensuring that all shareholders are kept informed about the Company.

Shareholders also have the option of receiving a hard copy of the Annual Report each year.

ii) General meetings
All shareholders are invited to attend the Annual General Meetings which are held at the Company's Head Office in Sydney. The full Board and senior executives are present and available to answer questions from the floor, as are the External Auditor and a representative from the Company's legal advisors.

iii) The Company also posts corporate information in the Investor Section of its Company website at www.higl.com.au.

Principle 7 – Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal control.

The Board oversees the establishment, implementation and review of the Company's Risk management System. To ensure it meets its responsibilities, the Board has implemented appropriate systems for identifying, assessing, monitoring and managing material risk throughout the organisation.

Management is required to provide monthly status reports to the Board which identify potential areas of business risk arising from changes in the financial and economic circumstances of its operating environment.

The Board regularly assess the Company's performance in light of risks identified by such reports.

Management are also required to design implement and review the Company's risk management and internal control system. The Board reviews the effectiveness of the implementation of the Company's risk management and internal control on a regular basis.

The Board does not employ an internal auditor, although as part of the Company's strategy to implement an integrated framework of control, the Board requested the external auditors review internal control procedures. Recommendations once presented are considered by the Board.

The Chairman and Chief Financial Officer have stated in writing to the Board that:

- The Company's financial reports present a true and fair view in all material respects of the Company's financial condition and operating results and are in accordance with relevant accounting standards.
- 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.
- The Company's risk management and internal compliance and control system is operating efficiently in all material respects.

The Board requires this declaration to be made bi-annually.

Principle 8 – Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

The Board has established a remuneration committee. The Committee comprised the following

members during the year:

− Mr PJ Meers - Chairman

− Mr RT Carson

Corporate Governance Statement cont'd

The Committee meets as often as required, but no less than once per year.

The committee has adopted a formal charter.

The main responsibilities of the Committee are to:

- review and approve the consolidated entity's policy for determining executive remuneration and any amendments to that policy;
- review the on-going appropriateness and relevance of the policy
- consider and make recommendations to the Board on the remuneration of executive Directors (including base salary, incentive payments, equity awards and service contracts);
- review and approve the design of all equity based plans;
- review and approve the total proposed payments under each plan; and
- review and approve the remuneration levels for non-executive Directors.

The Committee met once during the year and the Committee Members Attendance Record is disclosed in the Table of Directors Meetings included in the Directors' Report at page 8.

Executive Directors and Executive Remuneration

The remuneration committee reviews and approves the policy for determining executives' remuneration and any amendments to that policy.

Executive remuneration and other terms of employment are reviewed annually having regard to relevant comparative information and independent expert advice.

Remuneration packages include basic salary, superannuation and the rights of participation in the Company's Share Option Plan and Employee Share Purchase Plan.

Remuneration packages are set at levels that are intended to attract and retain executives capable of effectively managing the company's operation.

Consideration is also given to reasonableness, acceptability to shareholders and appropriateness for the current level of operations.

Non-Executive Directors

Remuneration on Non-Executive Directors is determined by the Board based on recommendations from remuneration committee, relevant comparative information, independent expert advice and the maximum amount approved by shareholders from time to time.

Non-Executive Directors have the right to participate in the Company's Share Option Plan and Employee Share Purchase Plan.

Further information on directors and executive remuneration is included in the remuneration report which forms part of the directors' report.

The Company does not comply with recommendations 8.1 in relation to the composition of the remuneration committee in that it does not consist of a majority of independent directors, is not chaired by an independent director and does not have at least three members. At this stage of the company's development the board considers in neither appropriate nor cost effective to adopt the ASX Corporate Governance Guidelines.

This matter continues to be under review and as circumstances allow, consideration will be given to the appropriate time to more to adopting the ASX Corporate Governance Guidelines.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
Revenue from continuing operations	4	**12,950**	9,600	**-**	-
Cost of sales		**(9,010)**	(6,036)	**-**	-
Gross profit		**3,940**	3,564	**-**	-
Other income	5	**2,801**	12,314	**1,863**	6,642
Administration expenses		**(3,956)**	(4,270)	**(77)**	(318)
Write-down of investment properties to fair value		**(4,387)**	-	**-**	-
Write-down of financial assets carried at cost to recoverable amount		**(124)**	-	**-**	-
Net loss on revaluation of financial assets at fair value through profit or loss		**(1,033)**	-	**-**	-
(Loss)/profit before tax and finance income and expenses	6(a)	**(2,759)**	11,608	**1,786**	6,324
Finance income	6(b)	**385**	402	**-**	319
Finance expenses	6(c)	**(3,575)**	(3,825)	**(1)**	-
(Loss)/profit before income tax		**(5,949)**	8,185	**1,785**	6,643
Income tax (expense)/benefit	7	**(136)**	5	**-**	-
(LOSS)/PROFIT FOR THE YEAR		**(6,085)**	8,190	**1,785**	6,643
Profit attributable to minority equity interest		**2**	600	**-**	-
(LOSS)/PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		**(6,083)**	8,790	**1,785**	6,643
Basic (loss)/earnings per share (cents)	26	**(2.36)**	3.41		
Diluted (loss)/earnings per share (cents)	26	**(2.36)**	3.41		

The above Income Statement should be read in conjunction with the accompanying notes

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent Entity 2008 $'000	Parent Entity 2007 $'000
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	8	**2,167**	870	**5**	12
Trade and other receivables	9	**5,019**	2,315	**-**	-
Held for trading financial assets	10	**933**	1,294	**-**	-
Inventories	11	**1,355**	1,046	**-**	-
Other current assets	12	**280**	106	**10**	8
TOTAL CURRENT ASSETS		**9,754**	5,631	**15**	20
NON-CURRENT ASSETS					
Receivables	9	**4,758**	3,569	**11,709**	7,460
Available for sale financial assets	13	**450**	1,075	**-**	-
Property, plant and equipment	14	**4,505**	3,018	**-**	-
Investment properties	15	**56,179**	61,204	**-**	-
Mining tenements and interests	16	**2,518**	31	**-**	-
Other financial assets	17	**-**	-	**20,617**	22,046
Goodwill	18	**-**	1,199	**-**	-
TOTAL NON-CURRENT ASSETS		**68,410**	70,096	**32,326**	29,506
TOTAL ASSETS		**78,164**	75,727	**32,341**	29,526
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	19	**1,151**	1,614	**30**	383
Financial liabilities	20	**24,558**	140	**-**	-
Employee benefits	21	**257**	356	**-**	-
Other liabilities	22	**41**	441	**-**	-
Provisions	23	**286**	235	**118**	235
TOTAL CURRENT LIABILITIES		**26,293**	2,786	**148**	618
NON-CURRENT LIABILITIES					
Payables	19	**588**	-	1,500	-
Financial liabilities	20	**20,436**	38,937	-	-
Deferred tax liabilities	7(c)	**626**	490	-	-
Other liabilities	22	**3,124**	3,857	-	-
Provisions	23	**362**	386	-	-
TOTAL NON-CURRENT LIABILITIES		**25,136**	43,670	1,500	-
TOTAL LIABILITIES		**51,429**	46,456	**1,648**	618
NET ASSETS		**26,735**	29,271	**30,693**	28,908
EQUITY					
Issued Capital	24	**52,040**	52,040	**52,040**	52,040
Reserves	25(a)	**6,935**	6,186	**-**	-
Accumulated losses	25(b)	**(36,827)**	(30,744)	**(21,347)**	(23,132)
Total equity attributable to equity holders of the parent entity		**22,148**	27,482	**30,693**	28,908
Minority interest		**4,587**	1,789	**-**	-
TOTAL EQUITY		**26,735**	29,271	**30,693**	28,908

The above Balance Sheet should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

CONSOLIDATED	Issued Capital $'000	Reserves $'000	Accumulated Losses $'000	Minority Interests $'000	Total Equity $'000
At 1 January 2008	52,040	6,186	(30,744)	1,789	29,271
Loss for the year	-	-	(6,083)	2	(6,081)
Revaluation movement	-	207	-	-	207
Exchange differences on translation of foreign operations	-	(442)	-	-	(442)
Minority interests share of movement in reserves	-	-	-	2,796	2,796
Business combination movement	-	984	-	-	984
At 31 December 2008	**52,040**	**6,935**	**(36,827)**	**4,587**	**26,735**
At 1 January 2007	52,040	5,007	(38,245)	2,108	20,910
Profit for the year	-		8,790	600	9,390
Revaluation movement	-	381	-	-	381
Currency translation difference	-	798	-	-	798
Minority interests share of movement in reserves	-	-	-	(919)	(919)
Dividends paid	-	-	(1,289)	-	(1,289)
At 31 December 2007	52,040	6,186	(30,744)	1,789	29,271

PARENT ENTITY	Issued Capital $'000	Reserves $'000	Accumulated Losses $'000	Minority Interests $'000	Total Equity $'000
At 1 January 2008	52,040	-	(23,132)	-	28,908
Profit for the year	-	-	1,785	-	1,785
At 31 December 2008	**52,040**	**-**	**(21,347)**	**-**	**30,693**
At 1 January 2007	52,040	-	(28,486)	-	23,554
Profit for the period	-	-	6,643	-	6,643
Dividends paid	-	-	(1,289)	-	(1,289)
At 31 December 2007	52,040	-	(23,132)	-	28,908

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Consolidated		Parent Entity	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
Cash flows from operating activities					
Receipts from customers		**13,084**	10,560	**-**	-
Proceeds from litigation settlement		**-**	6,100	**-**	6,100
Payments to suppliers and employees		**(15,698)**	(9,395)	**(407)**	(11)
Dividends received		**-**	4	**-**	4
Interest paid		**(3,575)**	(3,003)	**-**	319
Interest received		**385**	409	**-**	-
Net cash (outflow)/inflow from operating activities	29	**(5,804)**	4,675	**(407)**	6,412
Cash flows from investing activities					
Contributions to joint venture		**(2,310)**	(790)	**-**	-
Payments for purchases of investments		**(1,789)**	(1,808)	**-**	-
Net loans to related parties		**-**	-	**400**	(4,337)
Deposits on mining tenements		**(89)**	-	**-**	-
Proceeds from sale of mining tenements		**1,503**	-	**-**	-
Payments for improvements to investment properties		**(262)**	-	**-**	-
Proceeds from sale of held for trading investments		**970**	275	**-**	537
Payments for property, plant and equipment		**(346)**	(691)	**-**	
Net cash (outflow)/inflow from investing activities		**(2,323)**	(3,014)	**400**	(3,800)
Cash flows from financing activities					
Net proceeds from IPO of subsidiary		**5,540**	-	**-**	-
Proceeds from issues of shares		**13**	375	**-**	-
Interest bearing loans issued		**(1,945)**	-	**-**	-
Dividend paid		**-**	(1,289)	**-**	(1,289)
Proceeds from borrowings		**6,787**	2,720	**-**	-
Repayment of borrowings		**(971)**	(3,111)	**-**	(1,313)
Net cash inflow/(outflow) from financing activities		**9,424**	(1,305)	-	(2,602)
Net increase/(decrease) in cash held		**1,297**	356	**(7)**	10
Cash and cash equivalents at the beginning of the year		**870**	514	**12**	2
Cash and cash equivalents at the end of the year	8	**2,167**	870	**5**	12

The above Cash Flow Statement should be read in conjunction with the accompanying notes

1 CORPORATE INFORMATION

The financial report of Hudson Investment Group Limited for the year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 31 March 2009 and covers Hudson Investment Group Limited as an individual entity as well as the consolidated entity consisting of Hudson Investment Group Limited and its subsidiaries as required by the Corporations Act 2001.

The financial report is presented in the Australian currency.

Hudson Investment Group Limited is a company limited by shares incorporate in Australia whose shares are publicly traded on the Australian Stock Exchange.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncement of the Australian Accountancy Standards Board and the Corporations Act 2001.

Statement of Compliance

Australian Accounting Standards ('AASBs') include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of Hudson Resources Limited complies with International Financial Reporting Standards.

Critical accounting estimates and judgements

Critical accounting estimates and assumptions

Details of critical accounting estimates and assumptions about the future made by management at reporting date are set out below:

Impairment of assets

The company assess impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Calculations performed in assessing recoverable amounts incorporate a number of key estimates. Refer to Notes 9, 13, 14 and 15 (a).

Options valuation

Refer to note 38 for estimates and assumptions used to calculate the valuation of options.

Critical judgements

Management have made the following judgements when applying the Group's accounting policies:

Capitalisation of exploration costs

During 2008 the Group and the parent entity made a significant judgement about the capitalisation of exploration costs.

The Group follows the guidance of AASB 6 Exploration for and Evaluation of Mineral Resources when determining if exploration costs incurred can be capitalised. This determination requires significant judgement. In making this judgement, the Group evaluates, if any one of the following conditions is met:

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

If one of the above conditions is met then the Group has made the judgement to capitalise the associated exploration expenses.

Recognition of deferred tax assets

In line with the Group's accounting policy (Note 2f) and as disclosed in Note 7, deferred tax

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont'd

assets have not been recognised.

Measurement of financial assets

If there is an active market for financial assets they have been fair valued in line with market prices, if not they are carried at cost.

Historical cost convention

These financial statements have been prepared under the historical cost convention except for where noted in these accounting policies.

ASIC CO 98/100

The Company is of a kind referred to in ASIC Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

b Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Hudson Investment Group Limited ("the parent entity") as at 31 December 2008 and the results of all subsidiaries for the year then ended. Hudson Investment Group Limited and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Hudson Investment Group Limited.

(ii) Joint Ventures

Interests in joint venture entities are accounted for in the consolidated financial statements using the proportionate consolidation method and are carried at cost by the parent entity. Under the proportionate consolidation method, the share of income and expenses of the jointly controlled entity is combined line by line with similar items in the consolidated income statement and the share of assets and liabilities are recognised in the consolidated balance sheet.

Details of joint venture entities are set out in Note 31.

c Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

d Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont'd

currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars, which is Hudson Investment Group Limited's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale where applicable.

e Revenue recognition

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods
Revenue from sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured. Risks and rewards are considered passed to buyer when goods have been delivered to the customer.

Interest
Interest revenue is recognised as it accrues taking into account the effective yield on the financial asset

Rental Income
Rental income on investment properties is accounted for on a straight-line basis over the lease term. Contingent rentals are recognised as income in the periods when they are earned.

f Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Notes To Financial Statements
For the year ended 31 December 2008 cont'd

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont'd

f Income Tax cont'd

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

The Company and its wholly owned entities are part of a tax-consolidated group under Australian Taxation law. Hudson Investment Group Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

The amounts receivable/payable under tax funding arrangements are due upon notification by the entity which is issued soon after the end of each financial year. Interim funding notices may also be issued by the head entity to its wholly owned subsidiaries. These amounts are recognised as current inter-company receivables or payables.

g Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash flows are presented on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

h Cash and cash equivalents

For the purposes of the cash flow statement, cash includes cash on hand and in at call deposits with banks or financial institutions, investment in money market instruments maturing within less than 2 months, net of bank overdrafts.

i Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 60 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that entities in the Group will not be able to collect all amounts due according to the original terms of receivables.

Notes To Financial Statements
For the year ended 31 December 2008 cont'd

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont'd

k Inventories

Raw materials, work in progress and finished goods

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

l Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

m Investments and other financial assets

All investments and other financial assets are initially stated at cost, being the fair value of consideration given plus acquisition costs. Purchases and sales of investments are recognised on trade date which is the date on which the Group commits to purchase or sell the asset. Accounting policies for each category of investments and other financial assets subsequent to initial recognition are set out below.

Held for Trading

Investments held for trading are measured at fair value with gains or losses recognised in the income statement. A financial asset is classified as held-for-trading if acquired principally for the purpose of selling in the short term or if it is a derivative that is not designated as a hedge. Investments held for trading are classified as current assets on the balance sheet.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold-to-maturity and are measured at amortised cost subsequent to initial recognition using the effective interest method. If the Group were to sell other than an insignificant amount of held-to-maturity investments, the whole category is then reclassified as available-for-sale.

Available-for-sale financial assets

Available-for-sale financial assets comprise investments in listed and unlisted entities and any non-derivatives that are not classified as any other category of financial assets, and are classified as non-current assets (unless management intends to dispose of the investment within 12 months of reporting date). After initial recognition, these investments are measured at fair value with gains or losses recognised as a separate component of equity (available-for-sale investments revaluation reserve). Where there is a significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective evidence of impairment) the full amount including any amount previously charged to equity, is recognised in the income statement. Purchases and sales of available for sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the available for sale reserve. On sale the amount held in available for sale reserves associated with that asset is removed from equity and recognised in the income statement. Interest on corporate bonds classified as available for sale is calculated using the effective interest rate method and is recognised in finance income in the income statement.

Investments in subsidiaries, associates and joint venture entities are accounted for in the consolidated financial statements as described in note 1(b) and in the parent entity financial statements at cost in accordance with the cost alternative permitted in separate financial statements under AASB 127 Consolidated and Separate Financial Statements.

The fair value of quoted investments are determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the expected cash flows of the underlying net asset base of the investment.

Notes To Financial Statements
For the year ended 31 December 2008 cont'd

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont'd

m Investments and other financial assets cont'd

Reversals of impairment losses on equity instruments classified as available-for-sale cannot be reversed through the income statement. Reversals of impairment losses on debt instruments classified as available-for-sale can be reversed through the income statement where the reversal relates to an increase in the fair value of the debt instrument occurring after the impairment loss was recognised in the income statement.

Loans and receivables

Non-current loans and receivables include loans due from related parties repayable within 366 days of balance sheet date. As these are non-interest bearing, fair value at initial recognition requires an adjustment to discount these loans using a market-rate of interest for a similar instrument with a similar credit rating. The discount is debited to the income statement immediately and amortised using the effective interest method.

n Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by entities in the consolidated entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Entities in the consolidated entity use a variety of methods and make assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to entities in the consolidated entity for similar financial instruments.

o Property, plant and equipment

Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited to the asset revaluation reserve in equity. A revaluation surplus is credited to the asset revaluation reserve included within shareholder's equity unless it reverses a revaluation decrease on the same asset previously recognised in the income statement. A revaluation deficit is recognised in the income statement unless it directly offsets a previous revaluation surplus on the same asset in the asset revaluation reserve. On disposal, any revaluation reserve relating to sold assets is transferred to retained earnings. Independent valuations are performed regularly to ensure the carrying amounts of land and buildings do not differ materially from the fair value at the balance sheet date.

Land is not depreciated. Depreciation on other assets is calculated using the straight line, over their estimated useful lives, as follows:

- Plant and equipment 5 – 15 years
- Buildings 30 years

Notes To Financial Statements
For the year ended 31 December 2008 cont'd

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont'd

o Property, plant and equipment cont'd

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2 (m)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

p Investment property

Investment property is held for long-term rental yields and is not occupied by the Group. Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. These valuations are reviewed annually by a member of the Australian Property Institute. Changes in fair values are recorded in the income statement as part of other income.

q Tenement exploration, valuation and development costs.

Costs incurred in the exploration for, and evaluation of, tenements for suitable resources are carried forward as assets provided that one of the following conditions is met:

- the carrying values are expected to be justified through successful development and exploitation of the area of interest; or
- exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable mineral resources, and active and significant operations in relation to the area are continuing.

Expenses failing to meet at least one of the aforementioned conditions are expensed as incurred.

Costs associated with the commercial development of resources are deferred to future periods, provided they are, beyond any reasonable doubt, expected to be recoverable. These costs are be amortised from the commencement of commercial production of the product to which they relate on a straight-line basis over the period of the expected benefit.

r Leases

Company as lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases and capitalised at inception of the lease at the fair value of the leased property, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Company as lessor

Lease income from operating leases is recognised in the income statement on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying value of the leased asset and recognised as an expense over the lease term on the same bases as the lease income.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont'd

s Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

t Restoration and rehabilitation provisions

The amounts relate to amounts due to the Mines Department in relation to restoration. The amounts are held in trust and utilised when restoration of a site is required.

u Other liabilities

Other liabilities comprises non-current amounts due to related parties that do not bear interest and are repayable in 366 days from balance sheet date.

Income received in advance relates to car park income that will be brought to account over the life of the car space contracts.

v Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the loans and borrowings using the effective interest method.

w Employee benefits

Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of balance sheet date are recognised in other liabilities in respect of employees' services rendered up to balance sheet date and are measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable.

Long Service Leave

The liability for long serve leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

x Contributed equity

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

y Share-based payments

Ownership-based remuneration is provided to employees via an employee share option plan.

Share-based compensation is recognised as an expense in respect of the services received, measured on a fair value basis.

The fair value of the options at grant date is independently determined using a Black Sholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

Notes To Financial Statements
For the year ended 31 December 2008 cont'd

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES cont'd

z Earnings per share (EPS)

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for costs of servicing equity (other than dividends), the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

aa New Standards and interpretations issued but not yet effective

Certain new accounting standards and interpretation have been published that are not mandatory for 31 December 2008 reporting periods. The Group and the Company's assessment of the impact of these new standards and interpretations may affect the Group in future reporting periods:

AASB101 "Presentation of Financial Statements"

AASB101 is applicable to financial years commencing on or after 1 January 2009. As this is a disclosure standard only there will be no impact on amounts recognised in the financial statements. However, there will be various changes to the way financial statements are presented and various changes to names of individual financial statements.

AASB 8 "Operating Segments"

AASB 8 is applicable to financial years commencing on or after 1 January 2009. As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However disclosures required for the operating segments will be significantly different to what is currently reported (business and geographical segment).

3 FINANCIAL RISK MANAGEMENT

a General objectives, policies and processes

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Group's risk management objectives and polices and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Groups' risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material. The Board receives reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Group's finance function also review the risk management policies and processes and report their findings to the Audit Committee.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

3 FINANCIAL RISK MANAGEMENT cont'd

The Group and the parent entity hold the following financial instruments:

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Financial assets				
Cash and cash equivalents	2,167	870	5	12
Trade and other receivables	9,777	5,884	11,709	7,460
Financial assets	1,383	2,369	20,617	22,046
	13,327	9,123	32,331	29,518
Financial liabilities				
Trade and other payables	1,739	1,063	1,530	383
Financial liabilities	44,994	39,077	-	-
	46,733	40,140	1,530	383

b Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors or counterparties to derivative contracts fail to settle their obligations owing to the Group excluding the available for sale financial assets.

The maximum exposure to credit risk at balance date is the carrying amount of the financial assets, excluding the available for sale financial assets, as summarised under note(a) above.

For banks and financial institutions, only independently rated parties are accepted and each deposit account is kept to under $1 million to ensure that it is covered by the Governments bank deposit guarantee scheme.

The maximum exposure to credit risk at balance date by country is as follows:

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Australia	**13,151**	9,034	**32,331**	29,518
New Zealand	**176**	89	**-**	-
	13,327	9,123	**32,331**	29,518

Included in trade receivables is a significant customer, located in the Australia region, which accounts for 38% of the trade receivables balance as at 31 December 2008. This same customer accounted for 23% of the trade receivables balance as at 31 December 2007. There are no past due balances.

c Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments associated with financial instruments, that is, borrowing repayments. Bank loans are detailed below. The funds were provided by two bankers for the Group and the Parent Company. It is the policy of the Board of Directors that treasury reviews and maintains adequate committed credit facilities and the ability to close-out market positions.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

3 FINANCIAL RISK MANAGEMENT cont'd

Maturity Analysis of financial liabilities Consolidated - 2008	Carrying Amount $'000	Contractual Cash flows $'000	< 6 mths $'000	6- 12 mths $'000	1-3 years $'000	> 3 years $'000
Current						
Trade and other payables	1,151	1,151	617	534	-	-
Other liabilities	41	41	41	-	-	-
Financial Liabilities	24,558	24,558	15,020	9,538	-	-
Non-current						
Trade and other payables	588	588	-	-	300	288
Bank Loans	20,436	20,436	-	-	1,782	18,654
Other liabilities	3,124	-	-	-	-	-
Total financial liabilities at amortised cost	49,898	46,774	15,678	10,072	2,082	18,942

Consolidated - 2007	Carrying Amount $'000	Contractual Cash flows $'000	< 6 mths $'000	6- 12 mths $'000	1-3 years $'000	> 3 years $'000
Current						
Trade and other payables	1,063	1,063	-	-	-	-
Other liabilities	992	992	639	353	-	-
Non-current						
Bank Loans	39,077	39,077	-	-	23,120	15,957
Other liabilities	3,857	3,857	-	-	3,827	30
Total financial liabilities at amortised cost	44,989	44,989	639	353	26,947	15,987

Parent Entity - 2008	Carrying Amount $'000	Contractual Cash flows $'000	< 6 mths $'000	6- 12 mths $'000	1-3 years $'000	> 3 years $'000
Current						
Trade and other payables	30	30	30	-	-	-
Non-current						
Other liabilities	1,500	1,500	-	-	1,500	-
Total financial liabilities at amortised cost	1,530	1,530	30	0	1,500	0

Parent Entity - 2007	Carrying Amount $'000	Contractual Cash flows $'000	< 6 mths $'000	6- 12 mths $'000	1-3 years $'000	> 3 years $'000
Current						
Trade and other payables	383	383	30	353	-	-
Other liabilities	-	-	-	-	-	-
Non-current						
Bank Loans	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total financial liabilities at amortised cost	383	383	30	353	-	-

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

3 FINANCIAL RISK MANAGEMENT cont'd

d Market Risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

(i) Interest rate risk

Group does not apply hedge accounting.

The Group is constantly monitoring its exposure to trends and fluctuations in interest rates in order to manage interest rate risk.

For further details of exposure to interest rate risk refer Note 20 Financial Liabilities.

Sensitivity Analysis

The following tables demonstrate the sensitivity to a reasonably possible changes in interest rates, with all other variables held constant, of the Group's profit after tax (through the impact on floating rate borrowings). There is no impact on the Group's equity.

Consolidated - 2008	Carrying Amount AUD $'000
Borrowings AUD	44,496
Tax charge of 30%	-
After tax increase/(decrease)	44,496

Consolidated - 2007	Carrying Amount AUD $'000
Borrowings AUD	39,077
Tax charge of 30%	-
After tax increase/(decrease)	39,077

(ii) Currency risk

The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency (AUD) with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them) cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group .

In order to monitor the continuing effectiveness of this policy, the Group receives forecast, analysed by the major currencies held by the Group, of liabilities due for settlement and expected cash reserve.

In 2008, the group is exposed to currency risk for the bank loan payable in New Zealand dollars.

The Group is exposed to currency risk on purchases made from a supplier based in China in 2007.

The Group's exposure to foreign currency risk is as follows:

2008	NZD $'000
Consolidated Entity Bank Loan	1,850
Trade Payables	-
2007	**NZD $'000**
Trade Payables	855

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

3 FINANCIAL RISK MANAGEMENT cont'd

(ii) Currency risk – Parent Entity

The parent entity's exposure to foreign currency risk is as follows:

	NZD
2008	**$'000**
Trade Payables	-

	NZD
2007	**$'000**
Trade Payables	400

Sensitivity Analysis

The following tables demonstrates the sensitivity to a reasonably possible change in the New Zealand dollar exchange rate, with all other variables hold constant, of the Group's profit after tax (due to changes in the fair value of monetary liabilities). There is no impact on the Group's equity.

	Carrying Amount AUD	+1% of AUD Profit/ (Loss)	-1% of AUD Profit/ (Loss)
Consolidated - 2008	**$'000**	**$'000**	**$'000**
Accounts Payable/ Bank Loan	1,547	15	(15)
Tax charge of 30%	-	(5)	5
After tax increase/(decrease)	1,547	10	(10)

The above analysis assumes all other variables remain constant.

The same analysis was performed for the period ended 31 December 2007.

	Carrying Amount AUD	+1% of AUD Profit/ (Loss)	-1% of AUD Profit/ (Loss)
Consolidated - 2007	**$'000**	**$'000**	**$'000**
Accounts Payable	855	9	(9)
Tax charge of 30%	-	(3)	3
After tax increase/(decrease)	855	6	(6)

The above analysis assumes all other variables remain constant.

	Carrying Amount AUD	+1% of AUD Profit/ (Loss)	-1% of AUD Profit/ (Loss)
Parent Entity - 2008	**$'000**	**$'000**	**$'000**
Accounts Payable	-	-	-
Tax charge of 30%	-	-	-
After tax increase/(decrease)	-	-	-

The above analysis assumes all other variables remain constant.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

3 FINANCIAL RISK MANAGEMENT cont'd

(ii) Currency risk

Sensitivity Analysis

The same analysis was performed for the period ended 31 December 2007.

Parent Entity - 2007	Carrying Amount AUD $'000	+1% of AUD Profit/ (Loss) $'000	-1% of AUD Profit/ (Loss) $'000
Accounts Payable	400	4	(4)
Tax charge of 30%	-	(1)	1
After tax increase/(decrease)	400	3	(3)

(iii) Other price risk

The Group takes advice from professional advisers as to when to sell shares quoted at market value.

Consolidated - 2008	Carrying amount $'000	+ 10% AUD/NZD Profit & Loss $'000	- 10% AUD/NZD Profit & Loss $'000
Shares in other entities at fair value	933	93	(93)
Tax charge	-	(30)	30
After tax increase/(decrease)	933	63	(63)

Consolidated - 2007	Carrying amount $'000	Profit & Loss $'000	Profit & Loss $'000
Shares in other entities at fair value	1,294	129	(129)
Tax charge	-	(39)	39
After tax increase/(decrease)	1,294	90	(90)

No concentration of risk.

e Capital Risk Management

In managing its capital, the Group's primary objectives are to pay dividends and maintain liquidity. These objectives dictate any adjustments to capital structure. Rather than set policies, advice is taken from professional advisors as to how to achieve these objectives. There has been no change in either these objectives, or what is considered capital in the year.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, the Group and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'Financial liabilities' and 'trade and other payables' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet (including minority interest) plus net debt.

It is the Group's policy to maintain its gearing ratio at a healthy and manageable level. The Group's gearing ratio at the balance sheet date is as follows :

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

3 FINANCIAL RISK MANAGEMENT cont'd

e Capital Risk Management cont'd

Gearing ratios	Consolidated		Parent	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Total borrowings	**46,733**	40,140	**1,530**	383
Less: cash and cash equivalents	**(2,167)**	(870)	**(5)**	(12)
Net debt	**44,566**	39,270	**1,525**	371
Total equity	**26,735**	29,271	**30,693**	28,908
Total capital	**71,301**	68,541	**32,218**	29,279
Gearing Ratio	63%	57%	5%	1%

The increase in gearing has been brought about by the Board's decision to provide funding for new investment opportunities and for working capital management uses. There have been no other significant changes to the Group's capital management objectives, policies and processes in the year nor has there been any change in what the Group considers to be its capital.

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
4 REVENUE				
Sale of goods	**8,747**	5,559	**-**	-
Car park income	**2,022**	2,192	**-**	-
Rent	**2,181**	1,849	**-**	-
	12,950	9,600	**-**	-

5 OTHER INCOME

	Consolidated 2008	Consolidated 2007	Parent Entity 2008	Parent Entity 2007
Litigation settlement	**-**	6,100	**-**	6,100
Reversal of provisions due to litigation settlement	**-**	1,349	**-**	-
Change in fair value of investment properties	**-**	4,511	**-**	537
Net gain on disposal of mining tenements	**267**	-	**-**	-
Income from option issued to dispose of interest in tenement	**750**	-	**-**	-
Net gain on disposal of property, plant and equipment	**86**	-	**-**	-
Net gain on disposal of held for trading investments	**76**	275	**-**	-
Reversal of impairment of non-current receivables	**1,189**	-	**1,149**	-
Reversal of impairment of financial assets carried at cost	-	-	**571**	-
Other	**433**	79	**143**	5
	2,801	12,314	**1,863**	6,642

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

			Consolidated		Parent Entity	
			2008	2007	**2008**	2007
			$'000	$'000	**$'000**	$'000
6	**EXPENSES**					
		The (loss)/profit before income tax is arrived after (charging)/crediting the following amounts:				
	a	**Other expenses**				
		Bad debt expense	**2**	105	**-**	**-**
		Defined contribution superannuation expense	**431**	551	**-**	**-**
		Employee benefits expense	**1,162**	856	**-**	**-**
		Depreciation of amortisation	**349**	226	**-**	**-**
		Share based payments expense	**-**	628	**-**	-
	b	**Finance income**				
		Interest received from external parties	**385**	402	**-**	319
	c	**Finance expenses**				
		Interest paid to external parties	**3,575**	3,825	**1**	-

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

		Consolidated		Parent	
		2008	**2007**	**2008**	**2007**
		$'000	**$'000**	**$'000**	**$'000**
7	**INCOME TAX**				
(a)	**Income tax expense**				
	Current tax expense	**-**	-	**-**	-
	Deferred tax expense	**136**	(5)	**-**	-
	Total income tax expense	**136**	(5)	**-**	-
	Deferred tax expense				
	Increase in deferred tax expense/(benefit)	**136**	(5)	**-**	-
(b)	**Numerical reconciliation of income tax expense to prima facie tax payable**				
	Profit/(loss) from continuing operations before income tax expense	**(5,949)**	8,185	**1,785**	6,643
	Income tax expense (benefit) calculated @ 30% (2007:30%)	**(1,785)**	2,456	**536**	1,993
	Deferred tax expenses relating to partly owned subsidiaries outside of the tax consolidated group	**136**	-	**-**	
	Tax losses not brought to account	**1,785**	-	**-**	-
	Other	-	(5)	-	-
	Recoupment of prior year tax losses not previously brought to account	**-**	(2,456)	**(536)**	(1,993)
	Income tax expense/(benefit) at effective tax rate of 30% (2007: 30%)	**136**	**(5)**	**-**	**-**
(c)	**Deferred tax liabilities**				
	Deferred tax liabilities comprise temporary differences attributable to:				
	Amounts recognised directly in equity				
	Revaluations of land and buildings	**490**	**490**	**-**	**-**
	Amounts recognised in profit and loss				
	Capitalised exploration costs	**136**	-	**-**	-
		626	**490**	-	-

The above deferred tax liability relating to capitalised exploration costs has been recognised in the accounts of a partly owned subsidiary outside of the Hudson Resources Limited tax consolidated group.

(d) Unrecognised deferred tax assets

The unrecognised deferred tax assets of the consolidated entity includes $6,725,000 (2007: $4,940,000) in relation to carried forward tax losses and $1,838,000 (2007: $1,825,000) in relation to unrecognised deductible temporary differences.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

		Consolidated		Parent Company	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
8	**CASH & CASH EQUIVALENTS**				
	Cash at bank and on hand	**1,828**	681	**5**	12
	Cash held in trust accounts	**339**	189	**-**	-
		2,167	870	**5**	12
	Weighted average interest rates	3.89%	6.52%	0.00%	0.70%

		Consolidated		Parent Entity	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
9	**TRADE AND OTHER RECEIVABLES**				
	Current				
	Trade receivables (note a)	**1,926**	1,284	**-**	**-**
	Less: Provision for doubtful debts	**(20)**	(20)	**-**	**-**
		1,906	1,264	**-**	**-**
	Loans to third parties (note b)	**2,987**	1,215	**-**	**-**
	Less: Provision for doubtful debts	**(164)**	(164)	**-**	**-**
	Other receivables (note c)	**290**	**-**	**-**	**-**
		5,019	**2,315**	-	-
	Non-Current				
	Loan to controlled entities (note d)	-	-	**21,109**	18,009
	Less: Provision for doubtful debts	**-**	-	**(14,000)**	(14,000)
	Employee share scheme (note e)	**7,888**	7,888	**7,486**	7,486
	Less: Provision for employee share scheme	**(3,130)**	(4,319)	**(2,886)**	(4,035)
		4,758	3,569	**11,709**	7,460

(a) Trade receivables past due but not impaired

As of 31 December 2008, trade receivables of $61,000 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Up to 3 months	**17**	-	-	-
3 to 6 months	**44**	-	-	-
	61	-	-	-

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

(b) Receivables from other parties past due but not impaired
There are no debts recoverable from other parties that are past due but not impaired due to adherence to agreed terms.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

9 TRADE AND OTHER RECEIVABLES cont'd

(c) Other receivables
These amounts relate to receivables for GST paid and deposits paid.

(d) Loans to controlled entities
There are no loans to controlled entities that are past due but not impaired as measurement is tied to recoverability.

(e) Employee share scheme
There are no debts recoverable under the Employee Share Scheme that are past due which have not been impaired. Refer to Note 35 for further details

(f) Fair value and credit risk
Current trade and other receivables
Due to the short term nature of these receivables their carrying amount is assumed to approximate their fair value.
The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

Non-current receivables
All non-current receivables are interest free, and are repayable on demand. Estimated one year discounted cash flows are used to determine fair value of the loans from related parties above. The fair value is approximately equivalent to the carrying value.

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
10 HELD FOR TRADING FINANCIAL ASSETS				
Australian listed equity securities	**2,943**	1,829	**-**	-
Less: Provision for diminution in value of investment (i)	**(2,010)**	(535)	**-**	-
	933	1,294	**-**	-

(i) Represents the provision raised to mark the investment to market.

11 INVENTORIES				
Raw materials - at cost	**697**	899	**-**	-
Work in progress - at cost	**10**	41	**-**	-
Finished goods - at cost	**648**	106	**-**	-
	1,355	1,046	**-**	-

12 OTHER CURRENT ASSETS				
Prepayments	**183**	106	**10**	8
Others	**97**	-	**-**	-
	280	106	**10**	8

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

		Consolidated		Parent Entity	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
13	**AVAILABLE-FOR-SALE FINANCIAL ASSETS**				
	Non-traded investments carried at cost (note (a))	**766**	1,507	**150**	**150**
	Less: Write-down to recoverable amount	**(316)**	(432)	**(150)**	**(150)**
		450	1,075	**-**	-

(a) Fair value cannot be measured reliably as there is no active market for this investment. There is no present intention to dispose of the investment.

		Consolidated		Parent Entity	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
14	**PROPERTY, PLANT AND EQUIPMENT**				
	Land and buildings				
	At fair value (a)	**2,171**	1,740	**-**	-
	Building naming rights				
	At fair value (b)	**850**	-	**-**	-
	Plant and equipment				
	At cost	**4,705**	4,829	**-**	-
	Accumulated depreciation	**(3,551)**	(3,551)	**-**	-
		1,154	1,278	**-**	-
	Motor vehicles				
	At cost	**78**	146	**-**	-
	Accumulated depreciation	**(78)**	(146)	**-**	-
		-	-	**-**	-
	Leased plant and equipment				
	At cost	**540**	-	**-**	-
	Accumulated depreciation	**(210)**	-	**-**	-
		330	-	**-**	-
	Total property, plant and equipment	**4,505**	3,018	**-**	-

(a) The valuation basis of land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The 2008 revaluation was based on an independent assessment by a member of the Australian Property Institute as at 8 April 2008. The revaluation surplus was credited to asset revaluation reserve in shareholders' equity (note 25a).

(b) The valuation basis of building naming rights is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The 2008 revaluation was based on an independent assessment by a member of the Australian Property Institute as at 1 October 2008. The revaluation decrease was debited to asset revaluation reserve in shareholders' equity (note 25a).

(c) Security

Refer to Note 20 for information on non-current assets pledged as security.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

14 PROPERTY PLANT AND EQUIPMENT cont'd

(d) Reconciliations

Reconciliations of the carrying amounts of each class of property, plant & equipment at the beginning and end of the current and previous financial year are set out below:

2008	Land and buildings $'000	Building naming rights $'000	Plant and equipment $'000	Motor Vehicles $'000	Leased Plant & Equipment $'000	Total $'000
Carrying amount at 1 January 2008	1,740	-	1,278	-	-	3,018
Additions	-	-	336	-	10	346
Reclassified / transfer	-	-	(376)	-	376	-
Net revaluation increases/decreases	460	(15)		-	-	445
Depreciation	(29)	-	(94)	-	(46)	(169)
Transfer from investment properties	-	865	-	-	-	865
Carrying amount at 31 December 2008	2,171	850	1,144	-	340	4,505

2007	Land and buildings $'000	Building naming rights $'000	Plant and equipment $'000	Motor Vehicles $'000	Leased Plant & Equipment $'000	Total $'000
Carrying amount at 1 January 2007	1,240	-	759	-	341	2,340
Additions	-	-	691	-	(331)	360
Net revaluation increases	544	-	-	-	-	544
Depreciation	(44)	-	(172)	-	(10)	(226)
Carrying amount at 31 December 2007	1,740	-	1,278	-	-	3,018

	Consolidated		Parent Entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
15 INVESTMENT PROPERTIES				
Non-current				
Investment properties at fair value	**56,179**	61,204	**-**	-

(a) Valuation basis

The basis of the valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The 2008 revaluations were based on a combination of independent assessments made by a member of the Australian Property Institute and directors' valuations.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

15 INVESTMENT PROPERTIES cont'd

(b) Reconciliation

A reconciliation of the carrying amount of investment properties at the beginning and end of the current financial year is set out below.

	Consolidated	
	2008	2007
At fair value	**$'000**	$'000
Balance at beginning of year	**61,204**	54,315
Acquisitions	**-**	2,378
Capital Works	**263**	-
Fair value adjustments	**(4,387)**	4,511
Exchange differences	**(36)**	-
Transfer to property, plant and equipment	**(865)**	-
Carrying amount at end of the year	**56,179**	61,204

(c) Amounts recognised in profit and loss for investment properties

The following amounts have been recognised in the income statement:

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Rental income	**2,181**	1,849	**-**	-
Property running expenses	**344**	488	**-**	-

(d) Non-current assets pledged as security

Refer to Note 20 for information on non-current assets pledged as security by the parent entity or its controlled entities.

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
16 MINING TENEMENTS				
Interest in mining tenements	**1,226**	-	**-**	-
Capitalised exploration costs	**1,292**	31	**-**	-
	2,518	**31**	**-**	-

17 OTHER FINANCIAL ASSETS

Shares in controlled entities at cost (a)	-	-	20,638	22,638
Provision for write down to recoverable amount	-	-	(21)	(592)
	-	-	20,617	22,046

(a) Ownership of a wholly-owned subsidiary of Hudson Investment Group with a carrying value of $2 million was transferred from the parent to another wholly-owned subsidiary.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

		Consolidated		Parent Entity	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
18	**GOODWILL**				
	Goodwill	**-**	1,199	**-**	-

The balance of goodwill on consolidation during the year ended 31 December 2008 was transferred to the capital reserve account within equity.

		Consolidated		Parent Entity	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
19	**TRADE AND OTHER PAYABLES**				
	Current				
	Unsecured				
	Trade and other creditors	**617**	676	**-**	-
	Other payables	**534**	938	**30**	383
		1,151	1,614	**30**	383
	Non-Current				
	Unsecured				
	Other payables	**588**	-	-	-
	Amounts payable to:				
	- partly-owned subsidiaries	-	-	1,500	-
		588	-	1,500	-
20	**FINANCIAL LIABILITIES**				
	Current (secured)				
	Lease liabilities	**117**	-	**-**	-
	Bank loans	**24,441**	140	**-**	-
	Total current	**24,558**	140	**-**	-
	Non-Current (secured)				
	Lease Liabilities	**381**	-	**-**	-
	Bank loans	**20,055**	38,937	**-**	-
	Total non-current	**20,436**	38,937	**-**	-

Security for borrowings

Bank loans are secured by fixed and floating charges, registered mortgage debentures, registered first mortgages and by cross guarantees by and between the parent entity and certain of its controlled entities.

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

20 FINANCIAL LIABILITIES cont'd

Bank loans are secured by first mortgages over the Group's investment property and fixed and floating charges over assets of the Group. The loans are repayable in years ranging from 2009 to 2013. The rate of interest paid is a variable rate of 6.6% at 31 December 2008 (2007: 8.2%).

Assets pledged as security

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

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Investment Property	**56,179**	61,204	-	-
Land and Buildings	**2,171**	1,740	-	-
Plant and equipment	**1,484**	1,278	-	-

Fair value

The fair value of borrowings is equivalent to the carrying amounts of loans and lease liabilities.

Risk exposure

Information about the Group's exposure to interest rate changes is provided in Note 3.

Plant and equipment	**1,484**	1,278	-	-

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
22 OTHER LIABILITIES				
Current				
Income received in advance	**41**	45	**-**	-
Non-interest bearing loan	**-**	396	**-**	-
	41	441	-	-
Non-Current				
Income received in advance	**3,124**	3,457	**-**	-
Other liabilities	**-**	400	**-**	-
	3,124	3,857	**-**	-
23 PROVISIONS				
Current				
Restoration provision	**286**	235	**118**	235
Non-Current				
Restoration provision	**189**	189	**-**	-
Employee benefits - long service leave	**173**	197	**-**	-
	362	386	**-**	-

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

24 CONTRIBUTED EQUITY	Consolidated and Parent Entity		Consolidated and Parent Entity	
	2008	2007	**2008**	2007
	Shares	Shares		
	No. '000	No. '000	**$'000**	$'000
Share capital				
Ordinary shares	**257,821**	257,821	**52,040**	52,040

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

25 RESERVES AND ACCUMULATED LOSSES

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
a Reserves				
Asset revaluation reserve	**1,351**	1,144	**-**	**-**
Capital reserve	**6,745**	5,761	**-**	**-**
Foreign currency translation reserve	**(1,161)**	(719)	**-**	**-**
	6,935	6,186	**-**	**-**
Movements in reserves				
Asset revaluation reserve				
Balance at start of period	**1,144**	763	**-**	**-**
Revaluation	**207**	381	**-**	**-**
Balance at the end of period	**1,351**	1,144	**-**	**-**

The asset revaluation reserve records increments and decrements on the revaluation of individual parcels of land and buildings. The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law, net of capital gains tax payable.

Capital Profits Reserve				
Balance at start of period	**5,761**	5,761	**-**	**-**
Business combination movement	**984**	-	**-**	**-**
Balance at the end of period	**6,745**	5,761	**-**	**-**
Foreign currency translation reserve				
Balance at start of period	**(719)**	(1,517)	**-**	**-**
Currency translation differences	**(442)**	798	**-**	**-**
Balance at the end of period	**(1,161)**	(719)	**-**	**-**

The foreign currency translation reserve is used to record exchange differences on translation of foreign controlled subsidiaries. The reserve is recognised in the income statement when the investment is disposed of.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

25 RESERVES AND ACCUMULATED LOSSES cont'd

		Consolidated		Parent Entity	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
b	**Accumulated losses**				
	Balance at the beginning of the year	**(30,744)**	(38,245)	**(23,132)**	(28,486)
	Net (loss)/profit for the year	**(6,083)**	8,790	**1,785**	6,643
	Dividends	**-**	(1,289)	**-**	(1,289)
	Balance at the end of the year	**(36,827)**	(30,744)	**(21,347)**	(23,132)

26 EARNINGS PER SHARE

	Consolidated	
	2008	2007
	Cents	Cents
Basic (loss)/earnings per share	**(2.36)**	3.41
Diluted (loss)/earnings per share	**(2.36)**	3.41

	2008	2007
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share.	**257,821,022**	257,821,022

	2008	2007
	$'000	$'000
(Loss)/profit used in calculating basic and diluted (loss)/earnings per share	**(6,083)**	8,790

27 SEGMENT INFORMATION

The Group's primary reporting format is business segments and its secondary reporting format is geographical segments.

Business segments
The Group is organised into the following divisions by product and service type.

Property investment & development in Australia
Development and administration of commercial property in eastern Australia for resale or rental.

Property investment in New Zealand
Management of investment properties in Auckland.

Mining, manufacturing & exploration
Mining, processing and marketing of attapulgite, which is used in pet litter and industrial products. In addition, it is involved in the exploration and development of mining leases.

Geographical segments
All business segments, with the exception of property investment and development in New Zealand, operate principally within Australia.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

27 SEGMENT INFORMATION cont'd

Primary reporting – business segments

	Property investment & development in Australia $'000	Property investment in New Zealand $'000	Mining, manufacturing & exploration $'000	Inter segment eliminations/ unallocated $'000	Consolidated $'000
2008					
Sales to external customers	4,274	143	8,748	(215)	12,950
Inter segment sales	361	-	545	(906)	-
Total sales revenue	4,635	143	9,293	(1,121)	12,950
Other revenue	-	-	-	-	-
Total segment revenue	**4,635**	**143**	**9,293**	**(1,121)**	**12,950**
Segment result					
(Loss)/profit before income tax expense	(3,006)	(981)	650	(2,612)	(5,949)
Income tax expense	-	-	(136)	-	(136)
Net (loss)/profit	**(3,006)**	**(981)**	**514**	**(2,612)**	**(6,085)**
Segment assets	**91,109**	**3,808**	**15,340**	**(32,093)**	**78,164**
Segment liabilities	**61,189**	**6,581**	**4,452**	**(20,793)**	**51,429**
Acquisition of non current assets	**262**	**-**	**346**	**-**	**608**
Write-down of investment properties to fair value	**3,418**	**969**	**-**	**-**	**4,387**
Write-down of financial assets carried at cost to recoverable amount	**-**	**-**	**124**	**-**	**124**
Net loss on revaluation of financial assets at fair value through profit/(loss)	**-**	**-**	**-**	**1,033**	**1,033**
Depreciation and amortisation expense	**127**	**-**	**222**	**-**	**349**

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

27 SEGMENT INFORMATION cont'd

Primary reporting – business segments

	Property investment & development in Australia $'000	Property investment in New Zealand $'000	Mining, manufacturing & exploration $'000	Inter segment eliminations/ unallocated $'000	Consolidated $'000
2007					
Sales to external customers	3,831	120	5,649	-	9,600
Inter segment sales	583	-	-	(583)	-
Total sales revenue	4,414	120	5,649	(583)	9,600
Other revenue	-	-	-	-	-
Total segment revenue	4,414	120	5,649	(583)	9,600
Segment result					
Profit/(loss) before income tax expense	9,485	167	(916)	(551)	8,185
Income tax benefit	-	5	-	-	5
Net profit/(loss)	9,485	172	(916)	(551)	8,190
Segment assets	128,489	4,081	7,073	(63,916)	75,727
Segment liabilities	103,446	5,965	1,901	(64,856)	46,456
Acquisition of non current assets	-	396	305	-	701
Depreciation and amortisation expense	8	-	218	-	226
Other non-cash expenses	-	-	366	-	366

Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. All other intersegment transfers are priced on an "arms-length" basis and are eliminated on consolidation.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

28 CASH FLOW INFORMATION	**Consolidated**		**Parent Entity**	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
(a) Reconciliation of net cash (outflow)/inflow from operating activities to profit/(loss)				
(Loss/)profit for the year	**(6,083)**	8,790	**1,785**	6,642
Depreciation and amortisation	**349**	226	**-**	-
Share based payments expense	**-**	628	**-**	-
Change in fair value of investment properties	**4,387**	(4,511)	**-**	-
Gain on sale of tenements	**(267)**	-	**-**	-
Income from option issued to dispose of interest in tenement	**(750)**	-	**-**	-
Gain on Sale of property, plant and equipment	**(85)**	-	**-**	-
Net gain on sale of available for sale financial assets	**(76)**	-	**-**	-
Reversal of impairment of employee share scheme receivable	**(1,189)**	-	**(1,149)**	-
Write down of financial assets carried at cost to recoverable amount	**124**	-	-	-
Net loss on revaluation of financial assets at fair value through profit or loss	**1,033**	-	-	-
Reversal of impairment of financial assets carried at cost	**-**	(575)	**(571)**	**-**
Restoration provision income	-	-	**(117)**	**-**
Change in operating assets and liabilities:				
(Increase)/decrease in trade and other receivables	**(932)**	1,472	**-**	-
(Increase)/decrease in inventories	**(309)**	138	**-**	-
(Increase)/decrease in other current assets	**(875)**	(632)	**(2)**	-
(Decrease) in trade and other creditors, employee entitlements and deferred taxes	**(1,131)**	(861)	**(353)**	(230)
Net cash (outflow)/inflow from operating activities	**(5,804)**	4,675	**(407)**	6,412

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

28 CASH FLOW INFORMATION cont'd

(b) Significant Non-cash Transactions

Maryborough Coal Limited (MCL) issued to Tiaro Coal Limited a two year convertible note with a face value of $2 million, convertible at MCL's option to shares at an issue price of 30 cents per share (6,666,667 shares). The face value of the convertible note has been discounted to present value. This investment was funded through an intercompany loan account.

Tiaro Coal Limited acquired from Hudson Investment Group Limited an interest in mining tenment for $1.5 million. This investment was funded through an intercompany loan.

(c) Acquisition of Hudson Marketing Pty Ltd

On 1 July 2007, the parent company acquired 100% of the shares of Hudson Marketing Pty Limited from Hudson

	Fair value $'000	Carrying amount $'000
Consideration	500	
Assets acquired		
Cash	32	32
Receivables	741	741
Inventories	546	546
Property Plant and Equipment	1,011	1,011
	2,330	2,330
Liabilities acquired		
Provisions	257	257
Hudson Resources Loan	1,537	1,537
Other	28	28
	1,830	1,830
Net assets acquired	**500**	**500**

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

29 CONTROLLED ENTITIES

Name of entity	Note	Country of formation or incorporation	Hudson Investment Group Limited direct or indirect interest in	
			2008	2007
			%	%
Hudson Imports Pty Limited		Australia	100	100
Hudson Marketing Pty Limited		Australia	100	100
Hudson Pacific Group Limited		Australia	100	100
Raffles Equities Limited		Australia	100	100
Hudson Property Trust		Australia	100	100
Bundaberg Coal Pty Ltd	1	Australia	100	100
HSC Property Pty Limited		Australia	100	100
Hudson Underwriting Limited		Australia	100	100
Hudson Corporate Limited		Australia	100	100
Hudson Asset Management Pty Limited		Australia	100	100
Ozberg Pty Limited		Australia	100	100
Raffles Capital Pty Limited		Australia	100	100
HTH Holdings Pty Limited		Australia	100	100
Raffles Nominees Pty Limited		Australia	100	100
Mile Investments Limited		New Zealand	100	100
Ruahine Investments Limited		New Zealand	100	100
Hudson Resources Limited		Australia	46.79	41.57
Hudson Minerals Limited		Australia	46.79	41.57
Hudson Diatomaceous Earth Pty Limited		Australia	46.79	41.57
Australian Bauxite (Inverell) Pty Ltd	2	Australia	46.79	41.57
Australian Bauxite Pty Ltd	3	Australia	46.79	41.57
Weipa Bauxite Limited		Australia	46.79	-
Tiaro Coal Limited		Australia	28.28	41.57
Maryborough Coal Limited		Australia	28.28	-
Tiaro Energy Corporation Pty Ltd		Australia	28.28	41.57

1. Formerly Hudson Carpark Pty Limited
2. Formerly Hudson Attapulgite Pty Limited
3. Formerly Hudson Technologies Pty Limited

Acquisition and Disposal of Controlled Entities

2008

The Company acquired additional interests in Hudson Resources Limited increasing its interest to 46.7% (2007: 41.5%).

2007

The company acquired 100% of Hudson Marketing Pty Ltd (industrial absorbents business) from Hudson Resources Limited in June 2007.

Further details regarding the acquisition are found in Note 28.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

30 INTEREST IN JOINT VENTURE

Tiaro Energy Corporation Pty Limited holds 56.67% (2007: 33.33%) in Tiaro Joint Venture Coal Project (unincorporated joint venture).
The subsidiary has entered into the joint venture to develop a substantial new metallurgical coal resource in the Tiaro coal measures located in south east Queensland.
The Group's itnerest int he assets ermployed in the joitn venture are included in the consolidated Balance Sheet in accordance with accounting policy 2 (b), under the following classifications:

	% Ownership Interest	
	Current Period	Previous Corresponding Period
Tiaro Coal Joint Venture	56.67%	33.33%

(b) Aggregate Share of Assets, Liabilities and Profits(Losses) of Joint Venture Entities

Group's Share of proportionately consolidated Joint Venture Entities:	Current Period A$ '000	Corresponding Period A$ '000
Current assets	434	-
Long term assets	-	-
Current liabilities	19	-
Long term liabilities	-	-
Revenue	-	-
Other Income	14	-
Expenses	(990)	-
Share of net loss of joint venture entities	**(976)**	-

31 CONTINGENT LIABILITIES AND ASSETS

(i) Guarantees

Cross guarantees under Class Order 98/1418 by Hudson Investment Group Limited and its wholly owned controlled entities exist in respect of loans. Refer to Note 38.

(ii) Litigation

- The Company obtained judgement in its favour on 8 June 2007 in an action in respect to an Entitlement Deed between the Company and Australian Hardboards Limited prepared by Atanaskovic Hartnell, the Company's former solicitors.
- The Company has commenced action against Atanaskovic Hartnell the Company's former solicitors, claiming the shortfall between the amount of its claimed entitlement and the settlement amount of $6.1 million. Further action is subject to direction in the Supreme Court of NSW to determine a hearing date.
- The Court dismissed OzEcom Limited's claims against the Company in relation to loss of the amount of the total capital raising of $10 million and loss of the alleged shortfall from the capital raising by OzEcom Limited to be $4.618 million. The Court found in favour of OzEcom's contractual case against the Company, but held that OzEcom had suffered no loss as a result. The court awarded judgement for OzEcom against the Company in the sum of $1.00. OzEcom appealed the decision and the Company is defending the appeal. The appeal is currently proceeding in the Supreme Court of NSW.

32 EVENTS OCCURRING AFTER BALANCE DATE

Hudson Investment Group Limited

On 11 February 2009 the Company announced that a joint venture agreement was concluded with Queensland Thermal Coal Pty Limited which incorporates the assignment of a 50% interest in each of 14 coal tenements located in Queensland's Surat Basin, to Bundaberg Coal Pty Ltd, a wholly owned subsidiary of the Company.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

32 EVENTS OCCURRING AFTER BALANCE DATE cont'd

On the 24 March 2009, the Car Park was revalued at $18.6 million from $20.8 million a reduction of $2.2 million which has been reflected in the 2008 financial accounts.

Hudson Resources Limited

Since the end of the financial year 1,500,000 options exercisable at $0.15 were not exercised prior to their expiry date of 2 February 2009 and as a consequence have lapsed.

Tiaro Coal Limited

On 13 January 2009 the Company announced that it proposed to implement an on-market share buy-back scheme during the period 28 January 2009 to 28 April 2009.

The scheme provided for the Company to buy-back up to a maximum of 4,963,496 ordinary shares. At the date of this report the Company had acquired 218,174 shares for a total consideration of $44,339.

On 11 February 2009 the Company announced that a joint venture agreement was concluded with Queensland Thermal Coal Pty Limited which incorporates the assignment of a 50% interest in each of 14 coal tenements located in Queensland Surat Basin, to Bundaberg Coal Pty Ltd, a wholly owned subsidiary of the Company.

On 12 February 2009 Dynasty Metals Australia Limited announced that they will maintain their earned interest in EPC 956 and EPC 957 at 15%.

On 12 March 2009 a partial relinquishment, pursuant to section 139 (3) of the Mineral Resources Act 1989 (Qld) and the requirements of the Instrument of Permit, requiring the holders of EPC 972 to relinquish 19 sub-blocks and the holders of EPC 967 to relinquish 58 sub-blocks by 15 April 2009 was submitted to the Department of Mines and Energy.

On 30 March 2009 Maryborough Coal Limited lodged a third supplementary prospectus wherein it advised that the closing date for the Maryborough Coal Limited IPO was extended to 29 May 2009.

At the date of this report there are no other matters or circumstances, other than noted above, which have arisen since 31 December 2008 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2008, of the Group;
- the results of those operations; or
- the state of affairs, in financial years subsequent to 31 December 2008, of the Group.

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
33 COMMITMENTS				
Lease commitments				
Non-cancellable operating leases - future minimum lase payments				
Within one year	**14**	-	-	-
Later than one year but not later than 5 years	**19**	-	-	-
Later than 5 years	**-**	-	-	-
	33	-	-	-

The Group leases various copiers under non-cancellable operating leases expiring between 1 and 4 years. Nor do they include commitments for any renewal options on leases. Lease conditions do not impose any restrictions on the ability of Hudson Investment Group Limited and its subsidiaries from borrowing further funds or paying dividends.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

		Consolidated		Parent Entity	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
33	**COMMITMENTS cont'd**				
	Finance lease - non-cancellable				
	Within one year	**117**	-	-	-
	Later than one year but not later than 5 years	**381**	-	-	-
	Later than 5 years	-	-	-	-
	Total future minimum lease payments	**498**	-	-	-
	Total future finance charges	**(97)**	-	-	-
	Lease liabilities	**401**	-	-	-
	Lease liabilities are represented in the financial statements as follows:				
	Current	**117**	-	-	-
	Non-current	**381**	-	-	-
		498	-	-	-

The Group leases machinery at a carrying value of $580K (2007: $nil) by way of finance leases expiring within 5 years. The Group has the option to acquire the machinery on expiry at $1. There are no contingent rentals as part of finance lease arrangements and no restrictions on the ability of Hudson Investment Group Limited and its subsidiaries from borrowing further funds (but not able to borrow for machine purchases) or paying dividends.

The weighted average interest rate implicit in the finance lease arrangements is 9.08% (2007: N/A).

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
Remuneration commitments	**$'000**	$'000	**$'000**	$'000
Salary and other remuneration commitments under long-term employment contracts existing at reporting date not recognised as liabilities				
Within one year	**300**	-	-	-
Later than one year but not later than 5 years	**1,200**	-	-	-
Later than 5 years	**125**	-	-	-
	1,625	-	-	-

During the year, there were two service agreements in place formalising the terms of remuneration of directors for Peter Meers and Vincent Tan.

The service agreements commenced on 3 June 2008 and each have a term of 5 years.

The Director may terminate the agreement upon 6 months notice and the Company may terminate at any time without showing cause but must compensate the director by payment of all amounts that would have been paiod to the director had the agreement run for its full term. The Company may terminate the agreement in the event of serious misconduct by the director without any compensatory payment.

34 SUPERANNUATION AND SHARE OWNERSHIP PLANS

Superannuation
Entities in the consolidated entity contribute to an accumulation fund, sponsored by the parent entity, under which all full time and certain part time employees are invited to join.

Share ownership plans
Share ownership plans operated by the parent company and its controlled entities are detailed below.

Hudson Investment Group Limited
Hudson Investment Group Employee Share Plan (ESP)
All employees of the Company and its controlled entities may participate in the ESP. Under the ESP, monies are advanced to the participants to enable them to purchase ordinary shares of the Company on the market. The loans to participants bear interest at an amount equivalent to the dividend paid on the shares and are repayable no later than ten years from the date of the loan. Participants terminating their employment prior to the expiry date must sell their shares to the Company at their original purchase price. Participants have the option of selling back shares in accordance with certain conditions under the ESP rules. There are no limits to the amounts that might be advanced under the ESP.

The net amount advanced under the scheme during the year amounted to $Nil (2007: $Nil). The aggregate number of shares purchased under the ESP by employees is 59,473,000 (2007: 59,473,000). At year-end, the total net loans outstanding, included in receivables balances (non current) in Note 8, are $7,887,856 (2007: $7,887,856). At year-end, the aggregate market value is $4.758 million, being 8 cents per share.

Hudson Resources Limited
Hudson Resources Executive Share Ownership Plan
Senior Executives and Directors of Hudson Resources Limited and its controlled entities may participate in the Plan. Under the Plan, monies are advanced to the participants to enable them to purchase ordinary shares of Hudson Resources Limited on the market. The loans to participants bear interest at 6% per annum and are repayable in annual instalments over a period of 5 years. The loans advanced are secured by the shares held within the plan. Monies advanced under the plan during the year amounted to $Nil (2007: $Nil). The aggregate number of shares held under the plan by participants is Nil. There are no limits to the amounts that might be advanced under the plan. At year end, the total loans outstanding are $Nil (2007: $Nil). Interest totalling $Nil has accrued on these loans, which will be added to the loan on ultimate repayment.

Tiaro Coal Limited
Tiaro Coal Group Employee Share Plan
Tiaro Coal has adopted an ESOP for its employees. A person is an employee of Tiaro Coal if that person is an Executive Director, Non-executive Director or considered by the Board to be employed by Tiaro Coal or a related party of Tiaro Coal.

The purpose of the ESOP is to provide an opportunity for all eligible employees of Tiaro Coal to participate in the growth and development of Tiaro Coal through participation in the equity of Tiaro Coal.

Tiaro Coal believes it is important to provide incentives to employees in the form of options which provide the opportunity to participate in the share capital of Tiaro Coal. Tiaro Coal expects to apply the proceeds of exercise of the Options to working capital needs, asset or business acquisitions and general corporate purposes. All options to be issued must be consistent with any applicable Listing Rules and having regard to regulatory constraints under the Corporations Act 2001, ASIC policy or any other law applicable to Tiaro Coal.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

35 KEY MANAGEMENT PERSONNEL DISCLOSURES

a Directors

The following persons were Directors of Hudson Investment Group Limited during the financial year:

John Farey (Chairman and Chief Executive Officer) – appointed 1 February 2002
Vincent Tan (Director) – appointed 26 September 2002
Peter Meers (Director) – appointed 27 November 2003
Robert Carson (Director) – appointed 29 July 2003
Juliana Tan (Director) – appointed 1 September 2007

b Other Key Management Personnel

The following persons were other key management personnel of Hudson Investment Group Limited during the financial year:

Francis Choy (Chief Financial Officer)
David Hughes (Company Secretary) – appointed 20 September 2000

c Compensation of Key Management Personnel

	Consolidated		**Parent entity**	
Directors	**2008**	2007	**2008**	2007
	$	$	**$**	$
Short term employee benefits	1,053,243	884,473	1,053,243	884,473
Post employment benefits	65,682	47,775	65,682	47,775
Long term benefits	11,671	25,814	11,671	25,814
Termination benefits	-	-	-	-
Share based payments	-	456,000	-	456,000
	1,130,596	1,414,062	**1,130,596**	1,414,062

	Consolidated		**Consolidated**	
Other Key Management Personnel	**2008**	2007	**2008**	2007
	$	$	**$**	$
Short term employee benefits	228,468	241,473	228,468	241,473
Post employment benefits	12,375	11,250	12,375	11,250
Long term benefits	2,172	5,600	2,172	5,600
Termination benefits	-	-	-	-
Share based payments	-	13,250	-	13,250
	243,015	271,573	**243,015**	271,573

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

35 KEY MANAGEMENT PERSONNEL DISCLOSURES cont'd

d Shareholdings and Option Holdings of Key Management Personnel

(i) Hudson Investment Group Limited

Shares held in Hudson Investment Group Limited

The numbers of shares in the company held during the financial year by each director of Hudson Investment Group Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

Direct interest in ordinary shares

2008 Ordinary Shares	Balance at start of year	Changes during the year	Balance at the end of the year
Directors			
J W Farey	6,738,032	-	6,738,032
V Tan *1/2	4,050,000	90,580 *	4,140,580
P Meers	-	-	-
R Carson	-	-	-
J Tan	362,000	-	362,000

2007 Ordinary Shares	Balance at start of year	Changes during the year	Balance at the end of the year
Directors			
J W Farey	6,738,032	-	6,738,032
V Tan * 1	4,000,000 *	50,000	4,050,000 *
P Meers	-	-	-
R Carson	-	-	-
J Tan	362,000	-	362,000

* *Transfer of classification of Loan to J Tan from Executive to Director 1 September 2007*
*1 *Includes 362,000 shares purchased by J Tan during the year*
* 2 *Includes shares purchased by a related party during the year.*

Indirect interest in ordinary shares

2008	Balance at start of year	Changes during the year	Balance at the end of the year
Directors			
V Tan	129,532,176*	230,000	129,762,176*

Indirect interest in ordinary shares

2007	Balance at start of year	Changes during the year	Balance at the end of the year
Directors			
V Tan	129,532,176*	-	129,532,176*

* *Included Mr V Tan's indirect interests in his balance only although J Tan also holds this indirect interest.*

No options over unissued shares were granted during the year and no options have been granted in the period since the end of the financial year and to the date of this report. At the date of this report there were no unissued shares in the capital of the Company under option.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

35 KEY MANAGEMENT PERSONNEL DISCLOSURES cont'd

(ii) Hudson Resources Limited

Shares held in Hudson Resources Limited - 2008

Name	Balance at the start of year	Changes during the year	Balance at the end of the year
Directors			
J W Farey **	42,095,896	5,312,399	47,408,295
DH Sutton	-	-	-
R J Poole	-	-	-
P J Meers	53,267,992	(6,051,145)	47,216,847
V Tan	41,895,896	16,713,912	58,609,808
Tan Sri I Menudin	-	2,500,000	2,500,000

Options held in Hudson Resources Limited - 2008

Name	Balance at the start of year	Changes during the year	Balance at the end of the year
Directors			
Peter Meers *[2]	5,000,000	-	5,000,000

*[2] *All options have vested and are exercisable at reporting date*

** *200,000 shares held directly*

Shares held in Hudson Resources Limited - 2007

Name	Balance at the start of year	Changes during the year	Balance at the end of the year
Directors			
J W Farey *[1/3]	38,080,050	4,015,846	42,095,896
V Tan *[1]	49,252,146	4,015,846	53,267,992
P Meers *[1/2]	37,880,050	4,015,846	41,895,896

Options held in Hudson Resources Limited - 2007

Name	Balance at the start of year	Changes during the year	Balance at the end of the year
Directors			
Peter Meers *[2]	-	5,000,000	5,000,000

* *Includes shareholdings through Hudson Investment Group, a related entity.*

*[1] *Hudson Investment Group Limited, a related party, acquired 4,015,846 Hudson Resources Limited shares*

*[2] *All options have vested and are exercisable at reporting date*

*[3] *200,000 shares held directly*

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

35 KEY MANAGEMENT PERSONNEL DISCLOSURES cont'd

(iii) Tiaro Coal Limited

Shares held in Tiaro Coal Limited - 2008

Name	Balance at the start of year	Changes during the year	Balance at the end of the year
Directors			
Tan Sri I. Menudin *[1]	30,000,000	20,000	30,020,000
V Tan *[3]	30,000,000	120,000	30,120,000
P J Meers *[2]	30,000,000	40,000	30,040,000
R J Poole [4]	30,000,000	(30,000,000)	-

* *Includes shareholdings through Hudson Resources Limited, a parent entity.*
[1] *20,000 shares were purchased by related parties during the year*
[2] *40,000 shares were purchased by related parties during the year*
[3] *Mr Tan purchased 30,000 shares during the year, 90,000 were purchased by a related party*
[4] *Resigned on 3 June 2008. Mr Poole had an indirect interest in 30,000,000 shares by virtue of his position as a director of Hudson Resources Limited*

Options held in Tiaro Coal Limited - 2008

All options below relate to the Employee Share Option Plan.

Name	Balance at the start of year	Changes during the year	Balance at the end of the year [3]
Directors			
Tan Sri I. Menudin *[1]	1,000,000	-	1,000,000
V Tan *[1]	1,000,000	-	1,000,000
P J Meers *[1]	1,000,000	-	1,000,000
R J Poole *[1/2]	1,000,000	(1,000,000)	-
R J Rebek *[1]	1,000,000	-	1,000,000
Other Key Management Personnel			
D L Hughes	250,000	-	250,000

*[1] *Includes shareholdings through Hudson Resources Limited*
*[2] *R J Poole resigned as director on 3 June 2008*
3 *All options at year end are vested and exercisable.*

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

35 KEY MANAGEMENT PERSONNEL DISCLOSURES cont'd

Shares held in Tiaro Coal Limited - 2007

Name	Balance at the start of year	Changes during the year	Balance at the end of the year
Directors			
Tan Sri I. Menudin *1	-	30,000,000	30,000,000
V Tan *1	-	30,000,000	30,000,000
P J Meers *1	-	30,000,000	30,000,000
R J Poole *1/2	-	30,000,000	30,000,000

*1 *Includes shareholdings through Hudson Resources Limited.*
*2 *R J Poole resigned as a director on 3 June 2008.*

Options held in Tiaro Coal Limited - 2007

All options below relate to the Employee Share Option Plan.

Name	Balance at the start of year	Changes during the year	Balance at the end of the year 3
Directors			
Tan Sri I. Menudin *1	-	1,000,000	1,000,000
V Tan *1	-	1,000,000	1,000,000
P J Meers *1	-	1,000,000	1,000,000
R J Poole *1/2	-	1,000,000	1,000,000
R J Rebek *1	-	1,000,000	1,000,000
Other Key Management Personnel			
D L Hughes	-	250,000	250,000

*1 *Includes shareholdings through Hudson Resources Limited.*
*2 *R J Poole resigned as a director on 3 June 2008.*
3 *All options at year end are vested and exercisable.*

All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the consolidated entity would have adopted if dealing at arms length.

f Loans To Key Management Personnel
Details of loans made to Key Management Personnel of Hudson Investment Group Limited are set out below:
(i) Aggregates for key management personnel

Group	Balance at the start of the year	Interest paid for the year	Transfer / Repayments	Balance at the end of the year	Number in Group at end of year	Additional interest otherwise payable
2008	5,313,188	-	-	5,313,188	5	265,658
2007	6,735,446	239,743	-	6,735,446	6	231,696

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

35 KEY MANAGEMENT PERSONNEL DISCLOSURES cont'd

f Loans To Key Management Personnel cont'd

(ii) Details of individuals with loans above $100,000 during the year are set out below

2008	**Balance at the start of the year**	**Interest paid for the year**	**(Repayments) /Drawings**	**Highest indebtedness during the year and balance at the end of the year**	**Balance as at the end of the year**	**Additional interest otherwise payable****
Directors						
V Tan (ESP)	$900,000	-	-	$900,000	$900,000	$45,000
J W Farey (ESP)	$1,560,459	-	-	$1,560,459	$1,560,459	$78,022
J Tan (ESP)	$32,580	-	-	$32,580	$32,580	$1,629
Other key management personnel						
F Choy (ESP)	$1,152,408	-	-	$1,152,408	$1,152,408	$57,620
D Hughes (ESP)	$1,667,741	-	-	$1,667,741	$1,667,741	$83,387

2007	**Balance at the start of the year**	**Interest paid for the year**	**(Repayments) /Drawings**	**Highest indebtedness during the year and balance at the end of the year**	**Balance as at the end of the year**	**Additional interest otherwise payable****
Directors						
V Tan (ESP)	$900,000	$20,000	-	$900,000	$900,000	$43,000
J W Farey (ESP)	$1,560,459	$33,640	-	$1,560,459	$1,560,459	$75,592
J Tan (ESP)	$35,280	$1,810	-	$32,580	$32,580	$471
*Other key management personnel**						
F Choy (ESP)	$1,152,408	$57,620	-	$1,152,408	$1,152,408	$23,049
D Hughes (ESP)	$1,667,741	$63,569	-	$1,667,741	$1,667,741	$53,173

* Excludes the additional interest otherwise payable to AJ Scadden of $36,451.

** Market interest rate 5% (2007: 7%) This represents the difference between interest charged at the latter and interest paid. Interest is paid only from dividends paid by the Company during the year. Loans are secured against the shares only. Loans are repayable should employees leave the Company. None were written down during the year.

Terms and conditions of loans
All loans relate to the individuals participation in the Company's ESP. Interest is paid only from dividends paid by the Company during the year. Loans are secured against the shares only. Loans are repayable should employees leave the Company. None were written down during the year.

36 RELATED PARTIES

1 Parent Entities

The parent entity and ultimate Australian parent entity is Hudson Investment Group Limited (HIGL).

2 Subsidiaries

Interests in subsidiaries are disclosed in note 30.

3 Key Management Personnel Compensation

Key management personnel compensation information is disclosed in note 36.

4 Transactions with Related Parties

The following transactions occurred with related parties during the year ended 31 December 2008:

Purchase of goods

Consolidated group only

Hudson Marketing Pty Limited (HMPL), a subsidiary of HIGL, purchased goods from Hudson Resources Limited (HRL) incurring expenses of $359,858 (2007: $151,554).

Car park income and expenses

Consolidated group only

A car park, owned by Hudson Property Trust (HPT), is used by employees of Hudson Corporate Limited (HCL) and Hudson Pacific Group (HPG). As a result there was an inter-group income and expense of $118,313 during the year (2007: $57,250).

Rental income

Consolidated group only

HPG received rental income from HRL of $96,000 (2007: $nil).

Raffles Capital Limited (RCL) received rental income from HCL of $60,000 (2007: $nil).

Rental expense

Consolidated group only

HMPL incurred rental expenses of $184,725 (2007: $90,000) payable to both HRL and Hudson Minerals Limited (HML) .

Administration fee income

Consolidated group only

Tiaro Coal Limited (TCL), a subsidiary of HIGL via the HRL Group, paid an administration fee to HCL of $48,000 (2007: $nil) as payment of an internal recharge of general costs incurred at the HCL on behalf of subsidiaries within the group.

HRL, a subsidiary of HIGL, paid an administration fee to HCL of $19,500 (2007: $nil) as payment of an internal recharge of general costs incurred at the HCL on behalf of subsidiaries within the group.

Management fees

Consolidated group only

During the year a management fee of $1,370,000 (2007: $900,000) was paid by HCL to HPG as compensation for costs incurred at HPG on behalf of the group.

5 Outstanding balances

a *Amounts owed to related parties - current payables*

Hudson Corporate Limited

Consolidated and parent entity

At year end $1,694,001 (2007: $73,296) was owed to HRL which relates to a refund due from HCL subsequent to the cancellation of mining tenements purchased.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

36 RELATED PARTIES cont'd

Tiaro Coal Limited

Consolidated and parent entity

TCL, a subsidiary of HRL, invested $1,500,000 in Hudson Investment Group Limited (HIGL) for the purpose of receiving an interest in a mining tenement (2007: $nil).

At year end $332,576 (2007: $nil) was owed to TCL. $309,695 relates to a refund due from HCL subsequent to the cancellation of mining tenements purchased. The remainder concerns the net movement of recharges from HCL and payments made to them by TCL for those transactions paid for by HCL on behalf of the Group.

b *Amounts owed to related parties - current receivables*

Hudson Resources Limited

Consolidated and parent entity

At year end there was an amount payable from HRL to HMPL of $3,028 (2007: $nil) relating to inter group transactions including rent and administration fees.

c *Amounts owed to related parties - non-current receivables*

Controlled Entities

Parent entity only

At year end there was an amount owing to entities within the HIGL Group of $21,108,630 (2007: $18,008,765) relating to various historical transactions which have occurred within the group over time.

Provisions for doubtful debts have been raised in relation to outstanding balances from related parties amounting to $14,000,000 (2007: $14,000,000). No expense has been recognised in respect of bad or doubtful debts due from related parties.

6 Other Related Party Transactions

On 21 November 2007, Ruahine Investments Limited, a wholly owned subsidiary of HIGL, acquired one Hyatt apartment from Juliana Tan for consideration of NZ$450,000. The consideration was fully settled in January 2008.

7 Guarantees

No guarantees were given or received from related parties during the year.

8 Terms and conditions

All transaction were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms or repayment of loans between the parties and that no interest is charged on outstanding balances.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

37 SHARE BASED PAYMENTS

Hudson Investment Group Limited

There were no options granted during or since the end of the financial year to any of the directors or other key management personnel of the Company and the consolidated Group as part of their remuneration.

Hudson Resources Limited	Number of instruments	Vesting conditions	Life of options
An option was granted to a Director, Peter John Meers on 4 June 2007, exercisable at any time prior to expiry.	5,000,000	Vested	4 June 2010
An option was granted to a senior consultant on 12 September 2006, exercisable at any time prior to expiry.	5,000,000	Vested	12 September 2009
Tiaro Coal Limited			
Executive options were granted to Directors consultant exercisable at any time prior to expiry	5,250,000	Vested	31 December 2009
Options granted to Arthur Phillip Pty Ltd for advisory services in relation to the IPO	5,000,000	Vested	30 November 2010

Hudson Resources Executive Share Ownership Plan.

Refer to note 34 for further details relating share ownership plans.

Hudson Resources Limited

The number and weighted average exercise price of share options is as follows:

	Consolidated		**Parent Entity**	
	2008	**2007**	**2008**	**2007**
Vested and exercisable at 1 January 2007	**10,000,000**	5,000,000	**10,000,000**	5,000,000
Granted during the period	**-**	5,000,000	**-**	5,000,000
Vested and exercisable at 31 December 2008	**10,000,000**	10,000,000	**10,000,000**	10,000,000

	Consolidated		**Parent Entity**	
	2008	2007	**2008**	2007
Share options granted	**-**	5,000,000	**-**	5,000,000
Expense recognised as costs[1]	**-**	$350,000	**-**	$350,000
Fair value per option at grant date	**-**	7 cents	**-**	7 cents

1. The fair value of options granted above is determined using the Black-Scholes formula. The model inputs were: the share price of $0.06, the exercise price of $0.09, expected volatility of 34% based on the directors' estimation, expected dividends of $Nil and a risk-free interest rate of 6%. There is no service or performance criteria in relation to the options.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

37 SHARE BASED PAYMENTS cont'd

Tiaro Coal Limited

The number and weighted average exercise price of share options is as follows:

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
	Number	Number	**Number**	Number
Vested and exercisable at 1 January 2008	**5,250,000**	-	**5,250,000**	-
Granted during the year	**5,000,000**	5,250,000	**5,000,000**	5,250,000
Vested and exercisable at 31 December 2008	**10,250,000**	5,250,000	**10,250,000**	5,250,000

	Consolidated		Parent Entity	
	2008	2007	**2008**	2007
Share options granted	**5,000,000**	5,250,000	**5,000,000**	5,250,000
Expense recognised as costs[2]	**-**	278,250	**-**	278,250
Deducted from equity[3]	**265,000**	-	**265,000**	-
Fair Value per option at grant time	**5.3 cents**	5.3 cents	**5.3 cents**	5.3 cents

2. The fair value of options granted above is determined using the Black-Scholes formula. The model inputs were: the share price of $0.20, the exercise price of $0.30, expected volatility of 70% based on the directors' estimation, expected dividends of $Nil and a risk-free interest rate of 6%. There is no service or performance criteria in relation to the options.

3.The fair value of options granted above is determined using the Black-Scholes formula. The model inputs were: the share price of $0.20, the exercise price of $0.50, expected volatility of 70% based on the directors' estimation, expected dividends of $Nil and a risk-free interest rate of 6%. There is no service or performance criteria in relation to the options.

37 SHARE BASED PAYMENTS cont'd

Set out below are summaries of options granted for Hudson Resources Limited and Tiaro Coal Limited:

Grant date	Exercise date	Exercise price	Balance at beginning of year	Granted during the year	Forfeited during the year	Exercised during the year	Expired during the year	Balance at end of year	Vested and Exercisable at end of year
		$	Number	Number	Number	Number	Number	Number	Number
2008									
12/09/2006	12/09/2009	0.09	5,000,000	-	-	-	-	5,000,000	5,000,000
4/06/2007	4/06/2010	0.09	5,000,000	-	-	-	-	5,000,000	5,000,000
22/11/2007	31/12/2009	0.30	5,250,000	-	-	-	-	5,250,000	5,250,000
15/02/2008	30/11/2010	0.50	-	5,000,000	-	-	-	5,000,000	5,000,000
Total			15,250,000	5,000,000	-	-	-	20,250,000	20,250,000
Weighted average exercise price			0.16	0.50	-	-	-	0.25	0.25
2007									
12/09/2006	12/09/2009	0.09	5,000,000	-	-	-	-	5,000,000	5,000,000
4/06/2007	4/06/2010	0.09	-	5,000,000	-	-	-	5,000,000	5,000,000
22/11/2007	31/12/2009	0.30	-	5,250,000	-	-	-	5,250,000	5,250,000
Total			5,000,000	10,250,000	-	-	-	15,250,000	15,250,000
Weighted average exercise price			0.09	0.20	-	-	-	0.16	0.16

38 DEED OF CROSS GUARANTEE

As at 31 December 2008, Hudson Investment Group Limited, Hudson Imports Pty Limited, Hudson Pacific Group Limited, Hudson Property Trust, HTH Holdings Pty Limited, Bundaberg Coal Pty Limited, Hudson Marketing Pty Limited, Raffles Equities Ltd, Hudson Corporate Ltd, Hudson Asset Management Pty Limited, Raffles Capital Pty Limited, Ozberg Pty Ltd, Raffles Nominees Pty Limited, Hudson Underwriting Limited and HSC Property Pty Limited, entered a Deed of Cross Guarantee under which each Company guarantees the debts of the others.

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended by Class Order 98/2017) issued by the Australian Securities & Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Hudson Investment Group Limited, they also represent the 'Extended Closed Group'. Set out below are the consolidated statements of financial performance for the years ended 31 December 2008 and 31 December 2007 of the Closed Group.

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

38 DEED OF CROSS GUARANTEE cont'd

	Consolidated	
	2008	2007
	$'000	$'000
Revenue from continuing operations	**13,039**	7,364
Cost of sales	**(9,245)**	(3,966)
Gross profit	**3,794**	3,398
Other income	**453**	7,406
Administration expenses	**(2,896)**	(3,263)
Write-down of investment properties to fair value	**(3,893)**	4,512
Reversal of impairment of financial assets carried at cost to recoverable amount	**1,392**	-
Net loss on revaluation of financial assets at fair value through profit or loss	**(1,235)**	274
(LOSS)/PROFIT BEFORE TAX AND FINANCE INCOME AND EXPENSES	**(2,385)**	12,327
Finance income	**264**	405
Finance expenses	**(3,342)**	(2,974)
(LOSS)/PROFIT BEFORE INCOME TAX	**(5,463)**	9,758
Income tax (expense)/benefit	**-**	5
(LOSS)/PROFIT FOR THE YEAR	**(5,463)**	9,763
Consolidated accumulated losses at the beginning of the financial year	**(25,536)**	(34,010)
Profit/(loss) for the year	**(5,463)**	9,763
Dividends provided for or paid	**-**	(1,289)
Consolidated accumulated losses at the end of the financial year	**(30,999)**	(25,536)

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2008 cont'd

38 DEED OF CROSS GUARANTEE cont'd

Set out below are the Balance Sheets as at 31 December 2008 and 31 December 2007 of the Closed Group.

	2008 $'000	2007 $'000
Current assets		
Cash and cash equivalent	**342**	634
Trade and other receivables	**3,317**	2,298
Held for trading financial assets	**933**	1,292
Inventories	**968**	490
Other current assets	**232**	105
Total current assets	**5,792**	4,819
Non-current assets		
Receivables	**7,031**	3,106
Available for sale financial assets	**150**	6,462
Investment properties	**53,159**	61,205
Property, plant and equipment	**2,332**	1,277
Total non-current assets	**62,672**	72,050
Total assets	**68,464**	76,869
Current liabilities		
Trade and other payables	**873**	2,195
Financial liabilities	**24,558**	-
Employee benefits	**251**	352
Other liabilities	**384**	-
Total current liabilities	**26,066**	2,547
Non-current liabilities		
Financial liabilities	**17,238**	38,457
Other liabilities	**3,784**	3,857
Deferred tax liability	**490**	196
Total non-current liabilities	**21,512**	42,510
Total liabilities	**47,578**	45,057
Net assets	**20,886**	31,812
Equity		
Issued capital	**52,040**	52,040
Reserves	**(155)**	5,308
Accumulated losses	**(30,999)**	(25,536)
Total equity	**20,886**	31,812

39 REMUNERATION OF AUDITORS

		Consolidated		Parent Entity	
		2008	2007	**2008**	2007
		$	$	**$**	$
	During the year the following services were paid or payable to the auditor of the parent entity:				
(a)	Audit and review services fees paid or payable to:				
	- Nexia Court & Co	**-**	25,006	**-**	10,281
	- BDO Kendalls	**40,276**	17,200	**27,076**	12,750
		40,276	42,206	**27,076**	23,031
(b)	Taxation services: Amounts paid or payable to BDO Kendalls for non audit taxation services for the entity or any entity in the Group for review and lodgement of the income tax return	**14,200**	-	**4,200**	-
(c)	Other services including litigation assistance paid to Nexia Counts & Co.	**-**	2,467	**-**	-
	Amounts paid or payable to BDO Kendalls for non-audit advisory services for the Group	-	14,950	-	-

40 VARIATION FROM PRELIMINARY REPORT

Subsequent to the release of the company's preliminary report to the Securities Exchange, an independent valuation was performed for one of the Group's investment properties. This valuation showed a reduction in the fair value of the property of $2.206 million. This reduction has been reflected in the final results which show a consolidated loss of $2.206 million greater than previously announced.

DECLARATION BY DIRECTORS

The directors of the company declare that:

1. The financial statements, comprising the income statement, balance sheet, cash flow statement, statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001 and:
   (a) comply with Accounting Standards and the Corporations Regulations 2001; and
   (b) give a true and fair view of the financial position as at 31 December 2008 and of the performance for the year ended on that date of the company and the consolidated 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.
3 The remuneration disclosures included on pages 10 to 13 of the directors' report (as part of audited Remuneration Report), for the year ended 31 December 2008, comply with section 300A of the *Corporations Act 2001.*
4. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

The entities identified in Note 38 are parties to the deed of cross guarantee under which each company guarantees the debts of the others. At the date of this declaration there are reasonable grounds to believe that the companies which are parties to this deed of cross guarantee will as a consolidated entity be able to meet any obligations or liabilities to which they are, or may become, subject to, by virtue of the deed of cross guarantee described in Note 38.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

J W Farey
Chairmen / Chief Executive

V Tan
Director

Sydney
31 March 2009

BDO Kendalls

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INDEPENDENT AUDITOR'S REPORT

To the members of Hudson Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Hudson Resources Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Hudson Resources Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

BDO Kendalls

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion

In our opinion:

(a) the financial report of Hudson Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2008 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001.*

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 14 to 17 of the directors' report for the year ended 31 December 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Hudson Resources Limited for the year ended 31 December 2008, complies with section 300A of the *Corporations Act 2001.*

BDO Kendalls

BDO Kendalls
Chartered Accountants

Melissa Alexander

Melissa Alexander
Partner

Sydney, 31 March 2009

SHAREHOLDER INFORMATION

A. Substantial Shareholders as at 29 February 2008

Name	Number of shares	% of Share Holding
Pacific Portfolio Investments Pty Limited	89,144,208	34.58%
MLEQ Nominees Pty Limited	29,900,000	11.60%
Ms Yoke Tow Hong	20,892,606	8.10%
JT Capital Pty Limited	19,183,362	7.44%

B. Distribution of fully paid ordinary shares

Range	Total holders	Units	% of Issued Capital
1 - 1,000	125	57,881	0.030
1,001 - 5,000	121	335,978	0.130
5,001 - 10,000	72	612,600	0.240
10,001 - 100,000	177	6,424,855	2.490
100,001 - 9,999,999,999	65	250,389,708	97.110
Total	**560**	**257,821,022**	**100.000**

C. Unmarketable Parcels

	Minimum parcel size	Holders	Units
Minimum $ 500.00 parcel at $ 0.0990 per unit	5,051	246	393,859

C. Twenty Largest Shareholders as at 29 February 2008

Name	Number of Shares	% Share Holding
Pacific Portfolio Investment Pty Limited	89,144,208	34.58%
MLEQ Nominees Pty Limited	29,900,000	11.60%
Ms Yoke Tow Hong	20,892,606	8.10%
JT Capital Pty Limited	19,183,362	7.44%
Mr David Laurence Hughes (Employee Share Plan)	12,713,888	4.93%
Hudson Investment Group Limited (Employee Share Plan)	12,620,912	4.90%
Mr Francis Choy (Employee Share Plan)	11,524,084	4.47%
Mr John Wang (Employee Share Plan)	11,524,084	4.47%
Mr John Farey (Employee Share Plan and personal holdings)	6,738,032	2.61%
Pacific Holdings Limited	4,931,500	1.91%
Chancery Investments (Pte) Limited	4,220,000	1.64%
Vincent See Yin Tan (Employee Share Plan and personal holdings)	4,050,000	1.57%
Ms See Wee Tan	3,000,000	1.16%
Mr Vijaya Kumar Chornalingham	1,280,192	0.50%
Raffles Equities Limited	1,250,000	0.48%
Union Pacific Investments Pty Limited	1,241,999	0.48%
Mrs Choon Piang Lee	1,020,000	0.40%
Sing Capital Limited	1,007,468	0.39%
Mr Sat Pal Khattar	1,000,000	0.39%
Ms Yee Kein Te h	1,000,000	0.39%
Total shares held by top 20 shareholders	238,242,335	92.41%

D. Voting Rights – Ordinary Shares

On a show of hands, every member, present in person or by proxy, shall have one vote and upon a poll every member, present in person or by proxy, shall have one vote for each share.

Joint Ore Resources Committee (JORC) Code Compliant Public Reports

The company advises that this Company update contains summaries of Exploration Results and Mineral Resources as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code").

The following table references the location of the code-compliant Public Reports or Public Reporting on which the summaries are based. These references can be viewed on the ASX website and the Company will provide these reports, free of charge, to any person who requests it.

Company	**Date**	**Title**
HRS	3 November, 2008	Bauxite Strategy on track.
HRS	19 January, 2009	Lake Nerramyne – Attapulgite
HRS	30 January, 2009	Quarterly Activities Statement (December 2008)
TCM	30 October, 2008	New Coal Intersections – Drilling Programme Update
TCM	30 January, 2009	Quarterly Activities Statement (December 2008)

			Area	
Licence	Interest	Vicinity	(sub-blocks)	(sq kms)
EPC 1239	50%	Bowen Basin	103	309
EPC 1240	50%	Bowen Basin	282	846
EPC 1241	50%	Bowen Basin	300	900
EPC 1260 *	50%	Galilee Basin	133	399
EPC 1261	50%	Bowen Basin	142	426
EPC 1262 *	50%	Bowen Basin	218	654
EPC 1263 *	50%	Galilee Basin	300	900
EPC 1270	50%	Clarence-Moreton Basin	218	654
EPC 1271	50%	Clarence-Moreton Basin	300	900
EPC 1272	50%	Clarence-Moreton Basin	91	273
EPC 1273	50%	Clarence-Moreton Basin	293	879
EPC 1274	50%	Surat Basin	278	834
EPC 1275 *	50%	Surat Basin	286	858
EPC 1276	50%	Surat Basin	176	528
*Application			3,120	9,360

Hudson Investment Group Limited tenement status