Tasmania Mines Limited

ACN 009 491 990

Appendix 4E

Preliminary Final Report

For the Financial Year Ended 31 December 2008

Results for Announcement to the Market

		Consolidated	
		2008	2007
		$	$
Revenue from ordinary activities	Up by 13%	27,751,000	24,593,687
Profit from ordinary activities after tax attributable to members	Down by 40%	3,224,278	5,398,055
Net tangible assets per security	Up by 18%	113.7	95.8

No dividends have been paid or proposed during the year.

Information on audit

The audit of the company is still in progress, as such certain information within this preliminary financial report is based on data which is still in the process of being audited.

Tasmania Mines Limited

ACN 009 491 990

Preliminary Final Report

For the financial year ended 31 December 2008

Tasmania Mines Limited
Preliminary Final Report
For the financial year ended 31 December 2008

Corporate governance statement

The directors are responsible for the corporate governance practices of the company. This statement sets out the main corporate governance practices that were in operation throughout the financial year.

The Board of Directors

The Board is comprised of three non-executive directors. Following the death of long standing director Mr. Vince Smith, Mr. Ken Broadfoot was invited to join the Board to fill the casual vacancy.

As of the date of the directors' report, the Board consisted of three non-executive directors. Details of the directors are set out in the directors' report.

The primary responsibilities of the Board include:

- the approval of the annual and half-year financial report;
- the establishment of the long term goals of the company and strategic plans to achieve those goals;
- the review and adoption of annual budgets for the financial performance of the company and monitoring the results on a quarterly basis; and

The full Board is responsible for reviewing and approving major investment proposals and capital and any fund raisings. The Board also receives reports from the Chairman of each Committee of the Board.

Committees of the Board

With effect from 1 January 2008, in recognition of increasing corporate governance requirements, the Board has established four Committees, namely

- Audit
- Nomination
- Remuneration
- Risk Management

Each Committee has its own Charter with each Committee comprising three directors, one of whom is the Committee's Chairman and is a person other than the Chairman of the full Board.

Audit Committee

The Audit Committee is responsible for overseeing and regularly reviewing the company's accounting controls and financial activities including the financial reporting process. The Committee liaises with the company's auditors including monitoring the acceptance or otherwise by management of the auditors recommendations and their implementation.

The Audit Committee also monitors the company's legislative and regulatory conformance.

Nomination Committee

The Nomination Committee is responsible for establishing criteria for Board membership, reviewing Board membership and identifying and nominating directors. Board membership is reviewed annually to ensure the Board has an appropriate mix of qualifications, skills and experience. Directors may hold office for three years when they must stand for re-election at the next general meeting of shareholders.

Corporate governance statement (cont'd)

The terms and conditions of appointment and retirement on non-executive directors are included:

- The term of the appointment;
- The determination of the remuneration;
- The expectation of the Board in relation to attendance at Board meetings; and
- Procedures for dealing with conflicts of interest.

The Nominations Committee is responsible for the evaluation of the performance of the Board and senior management.

Remunerations Committee

This Remunerations Committee is responsible for reviewing the compensation arrangements for directors and the company secretary. It is also responsible for reviewing and determining the terms of any superannuation and/or pension schemes and retirement benefits.

Risk Management Committee

The Risk Management Committee has been established to take responsibility for the wider risk management considerations for the company as a whole, that is, the culture, processes and structures that are directed towards taking advantage of potential opportunities while managing potential adverse effects. (This is to be contrasted to the Audit Committee which principally considers financial risks). The Risk Management Committee has been coordinating its activities with the Audit Committee to ensure no duplication of effort or conversely no voids between functions.

Directors' report

The directors of Tasmania Mines Limited submit herewith the annual financial report for the financial year ended 31 December 2008. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the company during or since the end of the financial year are:

Name	***Particulars***
Mr Shamsher H. M. Kanji	Chairman
	Graduated with Honours in Law from University of London in 1957
	Admitted as a Barrister by the Middle Temple, London
	Appointed to the Board 23 August 1984
	Solicitor, New South Wales
Mr Joseph O. Carroll	Director
	Bachelor of Engineering (Civil) University of Sydney
	Appointed to the Board 5 May 1986
	Management Consultant. Past experience as project manager for major civil engineering projects.
Mr Vincent J. D. Smith	Director
	Mechanical Engineer
	Appointed to the Board 14 December 1977, deceased 26 April 2008
Mr Ken J. Broadfoot	Director
	Chartered Accountant
	Appointed to the Board 30 April 2008

The above named directors held office during the whole year except for Mr Vincent J. D. Smith who passed away on 26 April 2008 and Mr. Ken J. Broadfoot appointed to fill the casual vacancy on 30 April 2008. The directors have held no other listed company directorships in the past four years.

Company secretary

The company secretary is Mr Ken J. Broadfoot. Mr Broadfoot, an Accountant, was appointed to the position of company secretary in 1992.

Principal activities

The consolidated entity's principal activities in the course of the financial year ended 31 December 2008 were mining and production of magnetite and scheelite at the Kara Mine, south of Burnie, Tasmania, the ongoing exploration and development of the mining tenements on which the Kara Mine is situated and the operating of the crushing and concentrating mill at the Kara Mine.

Directors' report (cont'd)

Review of operations

Mining

During the year a total of 198,160 tonnes of ore was mined. In addition 560,065 tonnes of overburden was removed. All material was taken from the Kara No.1 Open Pit.

Milling

The Kara concentrator mill treated 221,676 tonnes of materials during the year. Production totalled 19 tonnes of high grade scheelite and 90,463 tonnes of dense medium magnetite.

Sales

115,324 tonnes of dense medium magnetite was sold this year compared with 112,218 tonnes sold in the previous year. 575 tonnes of magnetite iron ore were sold on the local market during the year, compared to 323 tonnes sold in the previous year.

51 tonnes of high grade scheelite was sold this year of which the average assay was 75.00% WO3. No high grade scheelite was sold in the previous year.

Operating Statistics

Operating statistics were as follows:

	2008	2007
Ore Mined	198,160 Tonnes	165,920 Tonnes
Waste Removed	560,065 Tonnes	107,860 Tonnes
Mill Feed Treated	221,676 Tonnes	182,652 Tonnes
Concentrate Grade WO3	55.7%	55.7%
Sales Scheelite Concentrate	51 Tonnes	-
Sales Magnetite Concentrate	115,899 Tonnes	112,541 Tonnes
Revenue from sale of goods	\$27,339,033	\$23,843,767
Profit after related income tax expense	\$3,224,278	\$5,398,055

Ore Reserves

Several scheelite-magnetite skarns occur on the Kara mine lease. The skarns are developed within folded Ordovician limestone's which are in contact with Devonian granite.

The principal product of Tasmania Mines Limited is dense medium magnetite for use in coal washeries and the Ore Reserve has been estimated based on a pit design which maximises the mining recovery of magnetite mineralisation suitable for such use. In addition to fresh magnetite, scheelite is recovered and sold for the production of tungsten. A drilling program of over 2000 metres of drill holes were drilled during 2008 covering over 300 metres north of the current pit. This year's Ore Reserve estimation takes into account the results of the drilling and has been estimated within new pit limits.

Traditionally, the iron grades for the Kara magnetite mineralisation have been expressed as greater or less than 30% iron, and this method has been maintained for this Ore Reserve estimate for the existing reserves.

The newly defined reserves north of the Kara No. 1 Pit (north of 6070N) have been estimated from the 2008 diamond drilling program and are quoted separately from the current known pit reserves.

Directors' Report (cont'd)

The last resource and reserve estimation was made at 31 December 2007. Since then, 181,156 tonnes of fresh ore and 17,004 tonnes of oxidised ore have been mined. The estimates below are based on use of the resource model mokara2006.dm prepared by consulting geologist Mr. M. McKeown. A life of mine open pit design and a current survey pick up of the Kara No. 1 open cut were used to excise ore that would not be mined and estimate the following Kara No. 1 open pit reserve. All reserve within the current pit area south of 6070N is now categorised as Proved due to the increased certainty obtained from both drilling programs and face exposures in the current pit:

Kara No. 1 Pit – Ore Reserves (South of 7060N) as at 31 December 2008

Fresh scheelite and magnetite bearing ore	100,000 tonnes	>30% Fe	0.55% WO_3
Fresh magnetite bearing ore	1,963,000 tonnes	>30% Fe	
Oxidised scheelite and magnetite bearing ore	40,000 tonnes		
Oxidised magnetite ore	367,000 tonnes		
Total magnetite bearing ore	2,470,000 tonnes		

Extended Kara No. 1 Pit – Ore Reserves (North of 7060N) as at 31 December 2008

Fresh magnetite bearing ore	7,153,800 tonnes	>30% Fe
Oxidised magnetite bearing ore	1,262,400 tonnes	>30% Fe

The Ore Reserve have been estimated on 11 February 2009 by Mr Alan Fudge who is a Member of the Australasian Institute of Mining and Metallurgy and who has over five years experience in the estimation, assessment and evaluation of Ore Reserves relevant to the Kara style of mineralisation. The reserves were derived from Resource estimations prepared by Mr. M. McKeown and AMC mining consultants for the south and north areas respectively.

Life of Mine

An estimate of Ore Reserve as at 31 December 2008 has been completed. Subsequently, an estimate of the life of the Kara operations has been made based on producing dense medium magnetite (DMM) from a blend of fresh magnetite ore and oxidised magnetite ore.

Kara No. 1 Pit – Life of Mine as at 31 December 2008

Basis of calculation: fresh high grade magnetite ore for DMM production

Fresh magnetite ore available (Proved and Probable Ore)	: 9,216,800 tonnes > 30%Fe
Oxidised magnetite ore available (Proved and Probable Ore)	: 1,669,400 tonnes > 30%Fe
Total magnetite ore available	: 10,886,200 tonnes
Mill recovery of magnetite fines from one tonne of fresh ore	: 0.5 tonnes
Magnetite fines production available	= 0.5 X 10,886,200
	= 5,443,100 tonnes
Recovery of DMM from magnetite fines	: 95%
Total DMM production available	= 95% of 5,443,100
	= 5,170,945 tonnes
Anticipated annual sales of DMM	: 140,000 tonnes (2008: 120,000)
Mine Life	= 1 + ((5,170,945-120,000) / 140,000)
	= 37 years

Note: In this table assumptions are indicated by colons (:) and calculations by equal signs (=)

Directors' Report (cont'd)

Changes in state of affairs

There was no significant change in the state of affairs of the consolidated entity during the financial year.

Subsequent events

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future developments

The consolidated entity is continuing to develop its presence in the market for coal washery and heavy density material.

Environmental regulations

The consolidated entity's environmental obligations are regulated by Commonwealth and State law. All environmental performance obligations are monitored by the Board of Directors and are subjected from time to time to Government agency site inspections and sampling regimes. The consolidated entity has a policy of at least complying, but in most cases exceeding its environmental performance obligations.

The consolidated entity does not have any outstanding environmental orders or obligations.

Dividends

No dividend has been declared or paid since the end of the preceding financial year and the Directors recommend that no dividend be paid for the year ended 31 December 2008.

Indemnification of officers and auditors

The company has not provided indemnification of or insurance for its present or former officers or auditors of the company, or of a related body corporate.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, the following board and committee meetings were held.

Directors	Board of Directors		Remuneration Committee		Audit Committee		Risk Management Committee		Nomination Committee	
	Held*	Attended	Held*	Attended	Held*	Attended	Held*	Attended	Held*	Attended
S.H.H. Kanji	5	5	1	1	2	2	1	1	1	1
J.O. Carroll	5	5	1	1	2	2	1	1	1	1
V.J.D. Smith	1	1	-	-	1	1	-	-	-	-
K.J. Broadfoot	4	4	1	1	1	1	1	1	1	1

*Held and entitled to attend

Directors' Report (cont'd)

Directors' shareholdings

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the company or a related body corporate as at the date of this report.

Directors	Fully Paid Ordinary Shares
Shamsher H. M. Kanji	2,250
Joseph O. Carroll	502,000

Remuneration report

The full Board of Directors reviews the remuneration packages of all directors and executive officers on an annual basis.

The following table discloses the remuneration of the directors and senior management of the company for the financial year ended 31 December 2008:

Name	Primary Salary/Fees	Post-employment Superannuation	Total
Non-Executive Directors:			
Shamsher H. M. Kanji	$10,000	-	$10,000
Joseph O. Carroll	$10,000	-	$10,000
Vincent J. D. Smith	$ 3,600	-	$ 3,600
Ken J. Broadfoot	$45,870	$ 4,130	$50,000

No director has any entitlement to a retirement benefit.

There are no options over unissued capital and the company does not have an employee share option plan.

The directors' determine the nature and amount of compensation for key management personnel in reference to the requirements of the position and prevailing market conditions for persons of similar experience and skills. The remuneration policy of the company in respect of directors' and senior executives is to ensure certainty of exposure of the company to employees by agreeing a fixed salary for each director and senior executive. There are no bonus or performance related components to remuneration.

Directors' report (cont'd)

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 6 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 6 to the financial statements do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Joseph O. Carroll
Director
Sydney, 27th February 2009

Directors' declaration

The directors declare that:

a) 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;

b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and the consolidated entity; and

c) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Joseph O. Carroll
Director
Sydney, 27th February 2009

Income statement
for the financial year ended 31 December 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Revenue	2	27,339,033	23,843,767	20,504,274	17,882,825
Cost of sales		(13,987,437)	(9,280,224)	(10,511,857)	(6,986,832)
Gross profit		13,351,596	14,563,543	9,992,417	10,895,993
Other revenue		-	267,067	-	267,067
Other income		411,967	482,853	328,314	381,478
Distribution expenses		(8,316,008)	(7,072,126)	(6,237,006)	(5,304,094)
Administration expenses		(840,004)	(528,742)	(629,932)	(396,560)
Finance costs		(1,440)	(1,088)	(1,080)	(816)
Profit before tax	3	4,606,111	7,711,507	3,452,713	5,843,068
Income tax expense	4	(1,381,833)	(2,313,452)	(1,035,814)	(1,752,920)
Profit for the year		3,224,278	5,398,055	2,416,899	4,090,148

Earnings per share:			
From continuing operations:			
Basic (cents per share)	19	17.6	29.5
Diluted (cents per share)	19	17.6	29.5

Notes to the financial statements are included on pages 16 to 54.

Balance sheet as at 31 December 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Current assets					
Cash and cash equivalents		75,347	2,230,944	56,510	1,673,208
Trade and other receivables	7	5,663,713	5,745,506	4,247,785	4,309,129
Other financial assets	8	3,407,182	3,139,527	3,133,255	3,504,329
Inventories	9	755,942	2,525,012	566,956	1,893,759
Other	10	157,403	107,079	118,052	80,309
Current tax receivable		201,757	-	199,116	-
Total current assets		10,261,344	13,748,068	8,321,674	11,460,734
Non-current assets					
Investments accounted for using the equity method	11	-	-	-	-
Other financial assets	8	1,030,000	1,030,000	2,754,146	2,754,146
Property, plant and equipment	12	12,782,936	6,486,575	9,803,126	5,102,264
Exploration, evaluation and development costs	13	36,969	46,113	26,649	33,306
Other	10	10,596	14,124	7,947	10,593
Total non-current assets		13,860,501	7,576,812	12,591,868	7,900,309
Total assets		24,121,845	21,324,880	20,913,542	19,361,043
Current liabilities					
Trade and other payables	14	2,149,213	1,446,659	1,611,908	1,084,994
Borrowings	15	-	-	2,858,023	3,114,667
Provisions	16	294,527	318,054	220,896	238,541
Current tax liability		-	1,338,030	-	1,338,030
Total current liabilities		2,443,740	3,102,743	4,690,827	5,776,232
Non-current liabilities					
Provisions	16	203,515	191,145	162,536	153,259
Deferred tax liabilities	4	683,509	464,189	559,527	347,799
Total non-current liabilities		887,024	655,334	722,063	501,058
Total liabilities		3,330,764	3,758,077	5,412,890	6,277,290
Net assets		20,791,081	17,566,803	15,500,652	13,083,753
Equity					
Issued capital	17	9,586,284	9,586,284	9,586,284	9,586,284
Retained earnings/(accumulated losses)	18	11,204,797	7,980,519	5,914,368	3,497,469
Total equity		20,791,081	17,566,803	15,500,652	13,083,753

Notes to the financial statements are included on pages 16 to 54.

Statement of recognised income and expense for the financial year ended 31 December 2008

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
Profit for the year	3,224,278	5,398,055	2,416,899	4,090,148
Total recognised income and expense for the year	3,224,278	5,398,055	2,416,899	4,090,148
Attributable to:				
Equity holders of the parent	3,224,278	5,398,055	2,416,899	4,090,148
	3,224,278	5,398,055	2,416,899	4,090,148

Notes to the financial statements are included on pages 16 to 54.

Cash flow statement
for the financial year ended 31 December 2008

	Note	Consolidated Inflows (Outflows) 2008 $	Consolidated Inflows (Outflows) 2007 $	Company Inflows (Outflows) 2008 $	Company Inflows (Outflows) 2007 $
Cash flows from operating activities					
Receipts from customers		31,569,300	25,071,781	23,676,974	18,876,989
Payments to suppliers and employees		(24,155,092)	(18,616,202)	(18,116,321)	(13,399,264)
Interest and other costs of finance paid		(1,440)	(1,088)	(1,080)	(816)
Income taxes paid		(2,702,300)	(1,026,574)	(2,361,232)	(1,026,574)
Net cash provided by operating activities	29(b)	4,710,468	5,427,917	3,198,341	4,450,335
Cash flows from investing activities					
Interest received		384,398	355,725	307,637	286,132
Amounts advanced to related party		(267,655)	(3,052,261)	-	(2,687,932)
Amounts repaid by related party		-	-	371,074	-
Amounts repaid to related party		-	-	(256,644)	-
Payment for property, plant and equipment		(6,982,808)	(2,158,904)	(5,237,106)	(1,619,178)
Proceeds from sale of property, plant and equipment		-	23,006	-	17,255
Net cash (used in) investing activities		(6,866,065)	(4,832,434)	(4,815,039)	(4,003,723)
Net (decrease)/increase in cash and cash equivalents		(2,155,597)	595,483	(1,616,698)	446,612
Cash and cash equivalents at the beginning of the financial year		2,230,944	1,635,461	1,673,208	1,226,596
Cash and cash equivalents at the end of the financial year	29(a)	75,347	2,230,944	56,510	1,673,208

Notes to the financial statements are included on pages 16 to 54.

Notes to the financial statements for the financial year ended 31 December 2008

1. Summary of accounting policies

New and revised Accounting Standards

In the current year, the Consolidated Entity and the Company have adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2008. At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective.

Initial application of the following Standard will not affect any of the amounts recognised in the financial report but will change the disclosures presently made in relation to the Consolidated Entity and the Company's financial report:

- AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101' – beginning 1 Jan 2009

Initial application of the following Standards and Interpretations are not expected to have material impact on the financial report of the Consolidated Entity or the Company

- AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123' – beginning 1 Jan 2009
- AASB 8 'Operating Segments', AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8' – beginning 1 Jan 2009
- AASB 3 'Business Combinations' (2008), AASB 127 'Consolidated and Separate
- Financial Statements' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127' – beginning 1 July 2009
- AASB 2008-1 'Amendments to Australian Accounting Standards – Share based payments: Vesting Conditions and Cancellations' – beginning 1 Jan 2009
- AASB 2008-2 'Amendments to Australian Accounting Standards – Puttable Financial Instruments and obligations arising on Liquidation' – beginning 1 Jan 2009
- 'Improvements to IFRS' (2008) – beginning 1 Jan 2009
- Interpretation 15 'Agreements for the Construction of Real Estate' – beginning 1 Jan 2009

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Consolidated Entity or the Company. The Consolidated Entity and the Company does not intend to apply these Standards and Interpretations until their operative dates.

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 27th February 2009.

Notes to the financial statements for the financial year ended 31 December 2008

1. Summary of accounting policies (cont'd)

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.
All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

(b) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(c) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.
Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.
Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.
Defined contribution plans
Contributions to defined contribution superannuation plans are expensed when incurred.

Notes to the financial statements for the financial year ended 31 December 2008

1. Summary of accounting policies (cont'd)

(d) Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

(i) has been acquired principally for the purpose of selling in the near future;
(ii) is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
(iii) is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 30.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates where that the group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Available-for-sale financial assets

Certain shares held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in note 30. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Notes to the financial statements for the financial year ended 31 December 2008

1. Summary of accounting policies (cont'd)

(d) Financial assets (cont'd)

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive payments is established.
The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.
Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.
The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.
With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.
In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

(e) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Notes to the financial statements for the financial year ended 31 December 2008

1. Summary of accounting policies (cont'd)

(e) Financial instruments issued by the company (cont'd)

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss are stated at fair value with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.
Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.
Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(f) Foreign currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in period in which they arise.

(g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

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

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

Notes to the financial statements for the financial year ended 31 December 2008

1. Summary of accounting policies (cont'd)

(h) Impairment of tangible and intangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.
Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.
If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease (refer note 1(l)).
Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase (refer note 1(l)).

Notes to the financial statements for the financial year ended 31 December 2008

1. Summary of accounting policies (cont'd)

(i) Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to the financial statements for the financial year ended 31 December 2008

1. Summary of accounting policies (cont'd)

(i) Income Tax (cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.
Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Tasmania Mines 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 'stand alone taxpayer' 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 company in the tax consolidated group).
Due to the entities agreeing to enter a tax funding arrangement in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the proposed arrangement. Further information about the tax funding arrangement is detailed in note 4 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on an average cost basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

Scheelite, a by-product, is measured at its net realisable value in accordance with AASB 102 *Inventories*.

Notes to the financial statements for the financial year ended 31 December 2008

1. Summary of accounting policies (cont'd)

(k) Joint ventures

Interests in jointly controlled assets and operations are reported in the financial statements by including the consolidated entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories.

(l) Property, plant and equipment

Land and buildings are measured at cost.
Plant and equipment are measured at fair values. Fair value is determined on the basis of an independent valuation prepared by external valuation experts, based on estimated depreciated replacement cost. The fair values are recognised in the financial statements of the company and consolidated entity, and are reviewed by directors at the end of each reporting period to ensure that the carrying value of plant and equipment is not materially different from their fair values.

Any revaluation increase arising on the revaluation of plant and equipment is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit and loss, in which case the increase is credited to the income statement to the extent of the decrease previously changed. A decrease in carrying amount arising on the revaluation of plant and equipment is charged as an expense in profit and loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.
Depreciation on revalued plant and equipment is charged to profit and loss. On the subsequent sale or retirement of revalued plant and equipment, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings.
Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The following estimated useful lives are used in the calculation of depreciation:

Buildings	50 years
Plant and equipment	4 – 12 years

Notes to the financial statements for the financial year ended 31 December 2008

1. Summary of accounting policies (cont'd)

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provision for Mine Site restoration

The accounting method adopted in determining the liability for mine site restoration is based on:

(a) The total amount of restoration obligations recognised on a gradual basis over the life of the facility as production occurs
(b) The amount of restoration obligations recognised includes the costs of reclamation, plant closure and waste site closure
(c) Restoration costs have been determined on the basis of current costs, current legal requirements and technology; and
(d) The amounts of restoration costs have been determined on a discounted basis.

(n) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at reporting date
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Notes to the financial statements for the financial year ended 31 December 2008

1. Summary of accounting policies (cont'd)

(n) Revenue (cont'd)

Dividend and interest revenue
Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.
Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(o) Exploration, Evaluation and Development Expenditure

Investment in and expenditure on exploration and development incurred in prior financial years and recognised as an asset on an area of interest method, is being written off on a unit of production basis so as to write off the cost over the estimated life of the mine.

The current year exploration, evaluation and development expenditure has been expensed as incurred.

(p) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described above, directors are required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.
Judgements made by management in the application of Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Notes to the financial statements for the financial year ended 31 December 2008

2. Revenue

An analysis of the Group's revenue for the year, from continuing operations, is as follows:

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Revenue from the sale of goods	27,339,033	23,843,767	20,504,274	17,882,825
Other revenue from the rendering of services	-	267,067	-	267,067
Rental income:				
Other rental income	12,000	9,000	9,000	6,750
Interest income:				
Associates – other loans and receivables	77,353	77,353	77,353	77,353
Other related entities – other loans and receivables	262,937	183,121	197,203	137,341
Other entities – bank deposits	44,108	95,251	33,081	71,438
Other income	15,569	118,128	11,677	88,596
	411,697	482,853	328,314	381,478
	27,751,000	24,593,687	20,832,588	18,531,370

3. Profit for the year

(a) Gains and losses

Continuing operations
Profit before income tax for the year has been arrived at after crediting the following gains and losses:

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Gain on disposal of property, plant and equipment	-	4,000	-	3,000

Notes to the financial statements for the financial year ended 31 December 2008

3. Profit for the year (cont'd)

(b) Other expenses

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Profit for the year includes the following expenses/(credits):				
Cost of sales	13,987,437	9,280,224	10,511,857	6,986,832
Finance costs:				
Interest on bank overdrafts and loans	-	-	-	-
Interest - others	1,440	1,088	1,080	816
	1,440	1,088	1,080	816
Depreciation of non-current assets	686,447	602,469	536,244	467,255
Amortisation of non-current assets	9,144	9,144	6,858	6,657
Employee benefit expense:				
Defined contribution plans	107,014	97,548	80,261	73,161
Government mining royalties	705,629	684,800	529,222	513,600

(c) Income and expenses relating to financial instruments

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Loans and receivables:				
Interest revenue	340,290	260,474	274,556	214,694
Cash and cash equivalents:				
Interest revenue	44,108	95,251	33,081	71,438
Financial liabilities at amortised cost:				
Interest expense	1,440	1,088	1,080	816

Notes to the financial statements for the financial year ended 31 December 2008

4. Income taxes

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
(a) Income tax recognised in profit or loss				
Tax expense/(income) comprises:				
Current tax expense/(income)	1,162,513	1,760,960	824,086	1,199,136
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	219,320	552,492	211,728	553,784
Total tax expense/(income)	1,381,833	2,313,452	1,035,814	1,752,920
Attributable to:				
Continuing operations	1,381,833	2,313,452	1,035,814	1,752,920
	1,381,833	2,313,452	1,035,814	1,752,920
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:				
Profit from continuing operations	4,606,111	7,711,507	3,452,713	5,843,068
Profit from operations	4,606,111	7,711,507	3,452,713	5,843,068
Income tax expense calculated at 30%	1,381,833	2,313,452	1,035,814	1,752,920
	1,381,833	2,313,452	1,035,814	1,752,920
Tax effect of expenses that are deductible for tax purposes	-	(552,492)	-	(553,784)
	1,381,833	1,760,960	1,035,814	1,199,136

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
(b) Deferred tax balances				
Deferred tax assets comprise:				
Tax losses – revenue	-	217,020	-	217,020
Temporary differences	198,360	202,132	148,772	149,020
	198,360	419,152	148,772	366,040
Deferred tax liabilities comprise:				
Temporary differences	881,869	883,341	708,299	713,839
	881,869	883,341	708,299	713,839
Net deferred tax liability	(683,509)	(464,189)	(559,527)	(347,799)

Notes to the financial statements for the financial year ended 31 December 2008

4. Income taxes (cont'd)

Taxable and deductible temporary differences arise from the following:

	Consolidated					
2008	**Opening balance $**	**Charged to income $**	**Charged to equity $**	**Prior year Adjustments $**	**Trfrd from subsidiaries $**	**Closing balance $**
Gross deferred tax liabilities:						
Consumable stores	16,740	12,214	-	-	-	28,954
Plant & equipment	866,601	(13,686)	-	-	-	852,915
	883,341	(1,472)	-	-	-	881,869
Gross deferred tax assets:						
Provisions	156,199	(6,786)	-	-	-	149,413
Buildings	-	-	-	-	-	-
Deferred exploration costs	38,283	2,744	-	-	-	41,027
Accrued audit fees	7,650	270	-	-	-	7,920
Tax losses	217,020	(217,020)	-	-	-	-
	419,152	(220,792)	-	-	-	198,360
Net deferred tax asset	(464,189)	(219,320)	-	-	-	(683,509)

	Consolidated					
2007	**Opening balance $**	**Charged to income $**	**Charged to equity $**	**Prior year Adjustments $**	**Trfrd from subsidiaries $**	**Closing balance $**
Gross deferred tax						
Consumable stores	16,740	-	-	-	-	16,740
Plant & equipment	923,058	(56,457)	-	-	-	866,601
	939,798	(56,457)	-	-	-	883,341
Gross deferred tax assets:						
Provisions	179,197	(22,998)	-	-	-	156,199
Buildings	2,384	(2,384)	-	-	-	-
Deferred exploration costs	35,540	2,743	-	-	-	38,283
Accrued audit fees	8,096	(446)	-	-	-	7,650
Tax losses	199,221	(585,846)	-	603,645	-	217,020
	424,438	(613,511)	-	603,645	-	419,152
Net deferred tax asset	(515,342)	(552,492)	-	603,645	-	(464,189)

Notes to the financial statements for the financial year ended 31 December 2008

4. Income taxes (cont'd)

2008	Company: Opening balance $	Charged to income $	Charged to equity $	Prior year Adjustments $	Trfrd from subsidiaries $	Closing balance $
Gross deferred tax liabilities:						
Consumable stores	12,556	9,161	-	-	-	21,717
Plant & equipment	701,283	(14,701)	-	-	-	686,582
	713,839	(5,540)	-	-	-	708,299
Gross deferred tax assets:						
Provisions	114,570	(2,510)	-	-	-	112,060
Deferred exploration costs	28,712	2,059	-	-	-	30,771
Accrued audit fees	5,738	203	-	-	-	5,941
Tax losses	217,020	(217,020)	-	-	-	-
	366,040	(217,268)	-	-	-	148,772
Net deferred tax asset	(347,799)	(211,728)	-	-	-	(559,527)

2007	Company: Opening balance $	Charged to income $	Charged to equity $	Prior year Adjustments $	Trfrd from subsidiaries $	Closing balance $
Gross deferred tax liabilities:						
Consumable stores	12,556	-	-	-	-	12,556
Plant & equipment	753,068	(51,785)	-	-	-	701,283
	765,624	(51,785)	-	-	-	713,839
Gross deferred tax assets:						
Provisions	137,368	(22,798)	-	-	-	114,570
Deferred exploration costs	25,962	2,750	-	-	-	28,712
Accrued audit fees	6,072	325	-	-	-	5,738
Tax losses	199,221	(585,846)	-	603,645	-	217,020
	371,008	(605,569)	-	603,645	-	366,040
Net deferred tax asset	(397,660)	(553,784)	-	603,645	-	(347,799)

Notes to the financial statements for the financial year ended 31 December 2008

4. Income taxes (cont'd)

Tax consolidation

Relevance of tax consolidation to the consolidated entity

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 January 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Tasmania Mines Limited. The members of the tax-consolidated group are identified at note 25.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have decided to enter into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Tasmania Mines Limited and each of the entities in the tax-consolidated group will agree to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

Notes to the financial statements for the financial year ended 31 December 2008

5. Key management personnel compensation

The directors and other members of key management personnel of the Group during the year were:

- Mr S. H. M. Kanji (Director)
- Mr J. O. Carroll (Director)
- Mr V. J. D. Smith (deceased 26 April 2008)
- Mr K. J. Broadfoot (Director – appointed 30 April 2008/ Company Secretary)

The aggregate compensation made to key management personnel of the company and the Group is set out below:

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Short-term employee benefits	69,470	56,670	52,102	42,502
Post-employment benefits	4,130	4,130	3,098	3,098
	73,600	60,800	55,200	45,600

The compensation of each member of the key management personnel of the Group is set out below:

	Consolidated		
	Short-term employee benefits	Post-employment benefits	
2008	**Salary & fees**	**Superannuation**	**Total**
	$	$	$
Mr S. H. M. Kanji (Director)	10,000	-	10,000
Mr J. O. Carroll (Director)	10,000	-	10,000
Mr V. J. D. Smith (Director) (deceased 26 April 2008)	3,600	-	3,600
Mr K. J. Broadfoot (Director/Company Secretary)	45,870	4,130	50,000
Total	69,470	4,130	73,600

	Consolidated		
	Short-term employee benefits	Post-employment benefits	
2007	**Salary & fees**	**Superannuation**	**Total**
	$	$	$
Mr S.H.M. Kanji (Director)	3,600	-	3,600
Mr J.O. Carroll (Director)	3,600	-	3,600
Mr V. J. D. Smith (Director)	3,600	-	3,600
Mr K. J. Broadfoot (Director/Company Secretary)	45,870	4,130	50,000
Total	56,670	4,130	60,800

Notes to the financial statements for the financial year ended 31 December 2008

5. Key management personnel compensation (cont'd)

The directors' determine the nature and amount of compensation for key management personnel in reference to the requirements of the position and prevailing market conditions for persons of similar experience and skills. The remuneration policy of the company in respect of directors' and senior executives is to ensure certainty of exposure of the company to employees by agreeing a fixed salary for each director and senior executive. There are no bonus or performance related components to remuneration nor share options.

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
6. Remuneration of auditors				
Auditor of the parent entity				
Audit and half-year review of financial report	42,185	42,840	31,639	32,130
Taxation services	6,000	10,800	4,500	8,100
	48,185	53,640	36,139	40,230

The auditor of Tasmania Mines Limited is Deloitte Touche Tohmatsu.

7. Trade and other receivables

Trade receivables *(i), (ii)*	5,663,713	5,745,506	4,247,785	4,309,129

(i) The average credit period on sales of goods is 74 days. No interest is charged on trade receivables outstanding. The group does not hold any collateral over these balances.(2007: 69 days)

Ageing of past due but not impaired				
60 – 90 days	604,367	1,024,544	453,275	768,408

(ii) In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. A significant proportion of the Group trade receivable are from Kara Industrial Minerals Pty Ltd. The directors consider that due to Kara Industrial Minerals Pty Ltd having a broad customer base with minimal credit risk, the directors believe that the amounts are recoverable.

No provision for doubtful debts has been required as at 31 December 2008 and in previous period.

Notes to the financial statements for the financial year ended 31 December 2008

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$

8. Other financial assets

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Current				
Loans carried at amortised cost:				
Loans to subsidiaries	-	-	574,637	1,127,576
Loans to associate	12,927	88,431	12,927	88,431
Loans to related party	3,394,255	3,051,096	2,545,691	2,288,322
	3,407,182	3,139,527	3,133,255	3,504,329
Non-current				
Loans carried at amortised cost:				
Loans to subsidiaries	-	-	80,000	80,000
Loans to associate	1,030,000	1,030,000	1,030,000	1,030,000
	1,030,000	1,030,000	1,110,000	1,110,000
Investments carried at cost:				
Investment in subsidiaries	-	-	1,594,146	1,594,146
Investment in associates	-	-	50,000	50,000
	-	-	1,644,146	1,644,146
	1,030,000	1,030,000	2,754,146	2,754,146

(i) Loans to subsidiaries are interest free and held at call.

(i) Loans to associates return interest of 7.5% p.a. and are held at call.

(ii) Loans to related parties return interest of 7.15% p.a. and are held at call.

9. Inventories

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Stores – at cost	96,514	68,689	72,385	51,517
Ore stock – at cost	71,571	324,558	53,678	243,418
Finished concentrate – at cost	169,501	1,132,166	127,126	849,125
Scheelite – at net realisable value	418,356	999,599	313,767	749,699
	755,942	2,525,012	566,956	1,893,759

Notes to the financial statements for the financial year ended 31 December 2008

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $

10. Other assets

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Current				
Accrued receivables	-	30,500	-	22,875
Prepayments	157,403	76,579	118,052	57,434
	157,403	107,079	118,052	80,309
Non-current				
Deferred costs	10,596	14,124	7,947	10,593

11. Investments accounted for using the equity method

Name of entity	Principal activity	Ownership interest		Consolidated carrying amount	
		2008 %	2007 %	2008 $	2007 $
Associate					
Kara Industrial Minerals Pty Ltd incorporated in Australia	Mineral sales	50%	50%	-	-

	Consolidated 2008 $	Consolidated 2007 $
Summarised financial information of associates		
Current assets	7,094,398	7,291,695
Non-current assets	2,993	4,091
Current liabilities	(5,974,566)	(6,172,959)
Non-current liabilities	(1,030,000)	(1,030,000)
Net assets	92,827	92,827
Revenue	28,680,516	27,768,429
Net profit	-	-
Share of associates' profit or loss	-	-

Contingent liabilities and capital commitments
The associate has no contingent liabilities, capital commitments or other expenditure commitments.

Notes to the financial statements for the financial year ended 31 December 2008

12. Property, plant and equipment

	Consolidated				
	Freehold land at cost	Buildings at cost	Capital works in progress at cost	Plant and equipment at fair value	TOTAL
	$	$	$	$	$
Gross carrying amount					
Balance at 1 January 2007	137,000	52,000	205,459	6,055,842	6,450,301
Additions	-	-	1,452,938	705,966	2,158,904
Transfers	-	-	(205,459)	205,459	-
Disposals	-	-	-	(23,006)	(23,006)
Balance at 31 December 2007	137,000	52,000	1,452,938	6,944,261	8,586,199
Additions	-	548,316	4,238,098	2,196,394	6,982,808
Transfers	-	1,067,136	(1,067,136)	-	-
Balance at 31 December 2008	137,000	1,667,452	4,623,900	9,140,655	15,569,007
Accumulated depreciation					
Balance at 1 January 2007	-	(7,661)	-	(1,512,500)	(1,520,161)
Disposals	-	-	-	23,006	23,006
Depreciation expense	-	(817)	-	(601,652)	(602,469)
Balance at 31 December 2007	-	(8,478)	-	(2,091,146)	(2,099,624)
Depreciation expense	-	(694)	-	(685,753)	(686,447)
Balance at 31 December 2008	-	(9,172)	-	(2,776,899)	(2,786,071)
Net book value					
As at 31 December 2007	137,000	43,522	4,623,900	4,853,115	6,486,575
As at 31 December 2008	137,000	1,658,280	4,623,900	6,363,756	12,782,936

Aggregate depreciation allocated during the year is recognised as an expense and disclosed in note 3 to the financial statements.

Notes to the financial statements for the financial year ended 31 December 2008

12. Property, plant and equipment (cont'd)

	Company				
	Freehold land at cost	Buildings at cost	Capital works in progress at cost	Plant and equipment at fair value	TOTAL
	$	$	$	$	$
Gross Carrying Amount					
Balance at 1 January 2007	137,000	52,000	154,094	4,795,303	5,138,397
Additions	-	-	1,089,704	529,474	1,619,178
Transfers	-	-	(154,094)	154,094	-
Disposals	-	-	-	(17,255)	(17,255)
Balance at 31 December 2007	137,000	52,000	1,089,704	5,461,616	6,740,320
Additions	-	411,237	3,178,573	1,647,296	5,237,106
Transfers	-	800,352	(800,352)	-	-
Balance at 31 December 2008	137,000	1,263,589	3,467,925	7,108,912	11,977,426
Accumulated Depreciation					
Balance at 1 January 2007	-	(7,661)	-	(1,180,384)	(1,188,045)
Disposals	-	-	-	17,244	17,244
Depreciation expense	-	(817)	-	(466,438)	(467,255)
Balance at 31 December 2007	-	(8,478)	-	(1,629,578)	(1,638,056)
Depreciation expense	-	(520)	-	(535,724)	(536,244)
Balance at 31 December 2008	-	(8,998)	-	(2,165,302)	(2,174,300)
Net Book Value					
As at 31 December 2007	137,000	43,522	1,089,704	3,832,038	5,102,264
As at 31 December 2008	137,000	1,254,591	3,467,925	4,943,610	9,803,126

Aggregate depreciation allocated during the year is recognised as an expense and disclosed in note 3 to the financial statements.

Notes to the financial statements for the financial year ended 31 December 2008

12. Property, plant and equipment (cont'd)

The following useful lives are used in the calculation of depreciation:

Buildings	50 years
Plant and equipment	4-12 years

Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
Buildings	694	817	520	817
Plant and equipment	685,753	601,652	535,724	466,438
	686,447	602,469	536,244	467,255

Plant and equipment carried at fair value

An independent valuation of the group's plant and equipment was performed by Tasmanian Valuers & Auctioneers Pty Ltd to determine the fair value of the plant and equipment. The valuation was determined by reference to estimated depreciated replacement cost. The effective date of the valuation was 31 December 2004 and the Directors having regard to maintenance programme, additions, disposals and depreciation since the independent valuation consider the carrying amount at 31 December 2008 to be a correct reflection of the fair values at that date.

Notes to the financial statements for the financial year ended 31 December 2008

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
13. Exploration, evaluation and development costs				
Area of interest in the production phase	173,725	173,725	126,503	126,503
Accumulated amortisation *(i)*	(136,756)	(127,612)	(99,854)	(93,197)
	36,969	46,113	26,649	33,306

(i) Amortisation expense is included in the line item 'depreciation and amortisation expense' in the Income Statement.

14. Trade and other payables

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Trade payables *(i)*	1,326,698	1,168,412	995,024	876,309
Goods and services tax payable	145,773	20,025	109,330	15,019
Accrued expenses	676,742	258,222	507,554	193,666
	2,149,213	1,446,659	1,611,908	1,084,994

(i) The average credit period on purchases is 30 days. No interest is charged on trade payables.

15. Borrowings

Unsecured – at amortised cost:

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Current				
Loan from subsidiaries *(i)*	-	-	180,274	436,918
Loan from subsidiaries *(ii)*	-	-	2,677,749	2,677,749
	-	-	2,858,023	3,114,667

(i) Loan to entities within the wholly-owned group including amounts arising under the entity's tax funding arrangement which are re-payable at call. No interest is charged on intercompany loan balances.

(ii) Payables to entities in the wholly-owned Group are re-payable at call. No interest is charged on intercompany loan balances.

Notes to the financial statements for the financial year ended 31 December 2008

16. Provisions

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
Current				
Employee benefits	294,527	318,054	220,896	238,541
	294,527	318,054	220,896	238,541
Non-current				
Employee benefits	26,758	18,072	20,068	13,554
Mine site restoration	176,757	173,073	142,468	139,705
	203,515	191,145	162,536	153,259

The provision for mine site restoration represents the present value of the Directors' best estimate of the future sacrifice of economic benefits that will be required for rehabilitating and restoring the property. Tasmania Mines Limited responsibilities at the end of the lease are incorporated in the terms of each of the mining leases. The estimate has been made on the basis of quotes obtained from Groves Earthmoving Contractors in July 2005. The unexpired term of the leases range from 2 to 3 years.

	Mine site restoration	
	Consolidated $	Company $
Balance at 1 January 2008	173,073	139,705
Reductions arising from payments	-	-
Additional provisions recognised	3,684	2,763
Balance at 31 December 2008	176,757	142,468
Non-current (note 20)	176,757	142,468

Notes to the financial statements for the financial year ended 31 December 2008

17. Issued capital

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
18,283,333 fully paid ordinary shares	9,586,284	9,586,284	9,586,284	9,586,284

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

	2008 No.	2008 $	2007 No.	2007 $
Fully Paid Ordinary Share Capital				
Balance at beginning of financial year	18,283,333	9,586,284	18,283,333	9,586,284
Balance at end of financial year	18,283,333	9,586,284	18,283,333	9,586,284

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

18. Retained earnings/(accumulated losses)

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Balance at beginning of financial year	7,980,519	2,582,464	3,497,469	(592,679)
Net profit attributable to members of the parent entity	3,224,278	5,398,055	2,416,899	4,090,148
Balance at end of financial year	11,204,797	7,980,519	5,914,368	3,497,469

Notes to the financial statements for the financial year ended 31 December 2008

19. Earnings per share

	2008 Cents per Share	2007 Cents per Share
From continuing operations:		
Basic earnings per share	17.6	29.5
Diluted earnings per share	17.6	29.5

	2008 No.	2007 No.
The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:		
Earnings used in the calculation of basic and diluted earnings per share from continuing operations	3,224,278	5,398,055
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	18,283,333	18,283,333

20. Commitments for expenditure

The Group had committed to the following expenditure as at 31 December 2008:

- Completion of the new mill, costs yet to be incurred, in January 2009 to February 2009 approximately $250,000. (2007: $1,600,000)
- Completion of the Kara Mine Office and employees amenities, costs yet to be incurred, in January 2009 to March 2009, approximately $200,000. (2007: $nil)
- Gladstone storage facility in Queensland completed in 2008: $nil. (2007: $250,000)
- Purchase new loader in 2008: $nil. (2007: $400,000)

Other than the items detailed above, there were no material capital expenditure or other material commitments not provided for in the financial statements other than to cover normal operating costs.

21. Superannuation benefits

The company does not provide superannuation or retirement benefits for any officers or employees of the company, other than to comply with mandatory superannuation obligations.

22. Contingent liabilities

There are no contingent liabilities at the end of the financial year. There were none as at the end of the comparative financial year.

23. Economic dependency

A significant volume of the consolidated entity's sales are made to Kara Industrial Minerals Pty Ltd, an associated company.

Notes to the financial statements for the financial year ended 31 December 2008

24. Jointly controlled operations and assets

The Group is a venturer in the following jointly controlled operations and assets:

Name of entity	Principal activity	Output interest 2008 %	Output interest 2007 %
Kara Joint Venture	Mineral production and sales	100	100

The Group's interest in assets employed in the above joint venture operation is detailed below.
The amounts are included in the consolidated financial statements under their respective asset categories:

	Consolidated 2008 $	Consolidated 2007 $
Current assets		
Cash assets	75,347	2,230,944
Receivables	9,057,968	8,796,602
Inventories	755,942	2,525,012
Other	157,403	107,079
Current tax receivable	201,757	-
Total current assets	10,248,417	13,659,637
Non-current assets		
Property, plant and equipment	11,919,240	5,537,243
Other	10,596	14,124
Total non-current assets	11,929,836	5,551,367
Total assets	22,178,253	19,211,004

Contingent liabilities and capital commitments

The capital commitments arising from the consolidated entity's interest in joint venture operations as disclosed in note 20. There are no contingent liabilities as disclosed in note 22.

25. Subsidiaries

Name of Entity	Country of Incorporation	Ownership Interest 2008 %	Ownership Interest 2007 %
Parent Entity			
Tasmania Mines Limited	Australia		
Subsidiaries			
Hampshire Mines Pty Ltd	Australia	100%	100%
Companion Resources Pty Ltd	Australia	100%	100%

Notes to the financial statements for the financial year ended 31 December 2008

26.Segment information

The consolidated entity operates in the mining industry only with operations comprising the sole business of exploration, production and sale of magnetite and its by-products wholly within Australia.

27.Related party transactions

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 25 to the financial statements.

Equity interests in associates and joint ventures

Details of percentage of ordinary shares held in associates and joint ventures are disclosed in note 11 and 24, respectively, to the financial statements.

(b) Director's equity holdings

	Fully paid ordinary shares	
	2008	2007
Held as at the reporting date by directors and their director-related entities in:		
Tasmania Mines Limited	504,250	514,637

(c) Key management personnel compensation and loans

Details of key management personnel compensation are disclosed in Note 5 to the financial statements.

The following loan balances are in respect of loans made to key management personnel of the Group or to their related entities. These balances do not include loans that are in-substance options and are non-recourse to the group

Loans to Key Management Personnel	Balance at Beginning	Interest Charged	Balance at End	Highest Period
	$	$	$	$
2008				
S.H.M. Kanji	4,169,527	340,290	4,424,255	4,424,255
2007				
S.H.M. Kanji	1,117,266	260,474	4,169,527	4,169,527

(i) In his capacity as a Director of Metroll Pty Ltd and Kara Industrial Minerals Pty Ltd

Notes to the financial statements for the financial year ended 31 December 2008

27. Related party transactions (cont'd)

(d) Transactions with other related parties

Other related parties include:

- the parent entity
- entities with joint control or significant influence over the Group
- associates
- joint ventures in which the entity is a venturer
- subsidiaries
- other related parties.

The ultimate parent entity in the wholly-owned group is Tasmania Mines Limited.

Amounts receivable from and payable to entities in the wholly-owned group are disclosed in notes 8, 11 and 15 to the financial statements.

During the financial year Tasmania Mines Limited provided accounting and administration services to entities within the wholly-owned group. No charge was made for these services.

(e) Key management personnel equity holdings

Fully paid ordinary shares of Tasmania Mines Limited

2008	Balance @ 1Jan No.	Granted as Compensation No.	Received on exercise of options No.	Net other changes No.	Balance @ 31 Dec No.	Balance held nominally No.
Directors						
S.H.M. Kanji	2,250	-	-	-	2,250	-
J.O. Carroll	502,000	-	-	-	502,000	-
	504,250	-	-	-	504,250	-
2007						
Directors						
S.H.M. Kanji	2,250	-	-	-	2,250	-
J.O. Carroll	502,000	-	-	-	502,000	-
V.J.D. Smith	10,387	-	-	-	10,387	-
	514,637	-	-	-	514,637	-

Notes to the financial statements for the financial year ended 31 December 2008

27. Related party transactions (cont'd)

(f) Other transactions with key management personnel of the Group

	Consolidated	
	2008	2007
	$	$
Profit for the year includes the following items of revenue and expense that resulted from transactions, other than compensation, loans or equity holdings, with key management personnel or their related entities:		
Consolidated revenue includes the following amounts arising from transactions with key management personnel of the Group of their related entities:		
Revenue from the sale of goods	25,966,064	23,745,451
Revenue from rendering of services	-	267,067
Interest revenue	340,290	260,474
	26,306,354	24,272,992
Consolidated profit includes the following expenses arising from transactions with key management personnel of the Group of their related entities:		
Cost of Sales	641,466	164,354
Accounting and administration services	180,000	156,000
	821,466	320,354
Total liabilities arising from transactions other than compensation with key management personnel or their related entities:		
Current	-	-
Non-current	-	-
	-	-

Details of dividend and interest revenue from other related parties is disclosed in note 2 to the financial statements.

Aggregate amounts receivable from and payable to other related parties are disclosed in notes 8, 11 and 15 to the financial statements.

Notes to the financial statements for the financial year ended 31 December 2008

27.Related party transactions (cont'd)

Transaction Type	Directors Concerned	Company Concerned	Consolidated Aggregate amount recognised 2008 $	Consolidated Aggregate amount recognised 2007 $
Purchase of goods and services from	S.H.M. Kanji	The Engineering Company Pty Ltd	821,466	164,354
Accounting and administration services provided by	S.H.M. Kanji	The Engineering Company Pty Ltd	180,000	156,000
Receivable from	S.H.M. Kanji	Kara Industrial Minerals Pty Ltd	4,530,744	5,745,505
Interest received from	S.H.M. Kanji	Kara Industrial Minerals Pty Ltd	77,353	77,353
Interest received from	S.H.M. Kanji	Metroll Pty Ltd	262,937	183,121
Loans to	S.H.M. Kanji	Metroll Pty Ltd	3,394,255	3,051,095
Loans to	S.H.M. Kanji	Kara Industrial Minerals Pty Ltd	1,042,927	1,118,431
Sale of goods to	S.H.M. Kanji	Kara Industrial Minerals Pty Ltd	25,966,064	23,745,451
Management fee received from	S.H.M. Kanji	Kara Industrial Minerals Pty Ltd	-	267,067
Marketing services provided to	S.H.M. Kanji	Kara Industrial Minerals Pty Ltd	-	33,872

The above transactions were made on commercial terms and conditions and at market rates.

(g) *Controlling Entities*

The parent entity in the consolidated entity is Tasmania Mines Limited.

The ultimate Australian parent entity is Metroof Industries Pty Ltd.

The ultimate parent entity is Pacific Industrial Corporation SA.

28. Subsequent events

No matters have arisen since the 31 December 2008 that may significantly affect the operations or the state of affairs of the company in subsequent financial years.

Notes to the financial statements for the financial year ended 31 December 2008

29. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
Cash and cash equivalents	75,347	2,230,944	56,510	1,673,208

(b) Reconciliation of profit for the period to net cash flows from operating activities

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
Profit for the year	3,224,278	5,398,055	2,416,899	4,090,148
(Gain) on sale of non-current assets	-	(4,000)	-	(3,000)
Depreciation and amortisation	695,591	611,613	542,972	473,912
Amounts written off – evaluation costs	3,528	3,528	2,646	2,646
Interest income received and receivable	(384,398)	(355,725)	(307,637)	(286,132)
Increase/(decrease) in deferred tax balances	219,320	(51,171)	211,728	(49,581)
(Decrease)/increase in current tax liabilities	(1,338,030)	1,338,030	(1,338,030)	1,338,030
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
Current receivables	81,793	(1,588,812)	61,344	(1,191,608)
Current inventories	1,769,070	(237,988)	1,326,803	(178,491)
Other current assets	(252,081)	(41,904)	(236,859)	(31,428)
Increase/(decrease) in liabilities:				
Trade payables	702,554	463,424	526,914	366,176
Other liabilities and provisions	(11,157)	(107,136)	(8,439)	(80,337)
Net cash from operating activities	4,710,468	5,427,917	3,198,341	4,450,335

Notes to the financial statements for the financial year ended 31 December 2008

29. Notes to the cash flow statement (cont'd)

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
(c) Financing facilities				
Secured bank overdraft facility, reviewed annually and payable at call:				
• Amount used	-	-	-	-
• Amount unused	162,000	162,000	162,000	162,000
	162,000	162,000	162,000	162,000
Unsecured loan facility, reviewed annually and payable at call:				
• Amount used	-	-	-	-
• Amount unused	-	-	-	-
	-	-	-	-

30. Financial instruments

(a) Capital risk management

The group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital and retained earnings as disclosed in notes 17 and 18. The Group's board of directors review the capital structure on a semi-annual basis. As a part of this review the board considers the cost of capital and the risks associated with each class of capital.

At the reporting date there are no significant concentrations of credit risk relating to loans and receivables at fair value through profit and loss. The carrying amount reflected below represents the company's and the Group's maximum exposure to credit risk for such loans and receivables.

(b) Significant Accounting Policies

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

(c) Derivative Financial Instruments

The company does not utilise derivative financial instruments.

Notes to the financial statements
for the financial year ended 31 December 2008

30. Financial instruments (cont'd)

(d) Categories of financial instruments:

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Financial assets				
Loans and receivables (including cash and cash equivalents	10,176,242	12,145,977	8,547,550	10,596,666
Financial liabilities				
Trade and other payables	2,470,498	1,779,786	1,852,872	1,337,984

(e) Exposure to interest rate risk

The company and the Group are exposed to interest rate risk as entities in the group invest cash at both fixed and variable interest rates. This risk is managed by the Group by maintaining an appropriate mix between fixed and variable rate cash investments.

The following table details the Group's exposure to interest rate risk as at 31 December 2008:

			Fixed Interest Rate Maturity				
2008	Weighted Average Interest Rate %	Variable Interest Rate	Less than 1 Year	1 to 5 Years	More than 5 Years	Non-Interest Bearing	Total
Financial Assets							
Cash	4.7%	75,347	-	-	-	-	75,347
Trade receivables		-	-	-	-	5,663,713	5,663,713
Related party	7.2%	-	3,394,255	1,030,000	-	12,927	4,437,182
		75,347	3,394,255	1,030,000	-	5,676,640	10,176,242
Financial Liabilities							
Trade and other payables		-	-	-	-	2,149,213	2,149,213
Employee benefits		-	-	-	-	321,285	321,285
		-	-	-	-	2,470,498	2,470,498

Notes to the financial statements for the financial year ended 31 December 2008

30. Financial instruments (cont'd)

The following table details the Group's exposure to interest rate risk as at the 31 December 2007:

2007	Average Interest Rate %	Variable Interest Rate	Fixed Interest Rate Maturity Less than 1 Year	1 to 5 Years	More than 5 Years	Non-Interest Bearing	Total
Financial Assets							
Cash	4.7%	2,230,944	-	-	-	-	2,230,944
Trade receivables		-	-	-	-	5,745,506	5,745,506
Related party	7.2%	-	3,051,096	1,030,000	-	88,431	4,169,527
		2,230,944	3,051,096	1,030,000	-	5,833,937	12,145,977
Financial Liabilities							
Trade and other payables		-	-	-	-	1,443,660	1,443,660
Employee benefits		-	-	-	-	336,126	336,126
		-	-	-	-	1,779,786	1,779,786

The following table details the Company's exposure to interest rate risk as at 31 December 2008:

2008	Weighted Average Interest Rate %	Variable Interest Rate	Fixed Interest Rate Maturity Less than 1 Year	1 to 5 Years	More than 5 Years	Non-Interest Bearing	Total
Financial Assets							
Cash	4.7%	56,510	-	-	-	-	56,510
Trade receivables		-	-	-	-	4,247,785	4,247,785
Related party	7.2%	-	3,120,328	1,110,000	-	12,927	4,243,255
		56,510	3,120,328	1,110,000	-	4,260,712	8,547,550
Financial Liabilities							
Trade and other payables		-	-	-	-	1,611,908	1,611,908
Employee benefits		-	-	-	-	240,964	240,964
		-	-	-	-	1,852,872	1,852,872

Notes to the financial statements for the financial year ended 31 December 2008

30. Financial instruments (cont'd)

The following table details the Company's exposure to interest rate risk as at the 31 December 2007:

2007	Average Interest Rate %	Variable Interest Rate	Fixed Interest Rate Maturity: Less than 1 Year	Fixed Interest Rate Maturity: 1 to 5 Years	Fixed Interest Rate Maturity: More than 5 Years	Non-Interest Bearing	Total
Financial Assets							
Cash	4.7%	1,673,208	-	-	-	-	1,673,208
Trade receivables		-	-	-	-	4,309,129	4,309,129
Related party	7.2%	-	3,415,898	1,110,000	-	88,431	4,614,329
		1,673,208	3,415,898	1,110,000	-	4,397,560	10,596,666
Financial Liabilities							
Trade and other payables		-	-	-	-	1,085,889	1,085,889
Employee benefits		-	-	-	-	252,095	252,095
		-	-	-	-	1,337,984	1,337,984

Interest rate sensitivity

The company and the group are exposed to interest rate sensitivity on cash balances. Any movement in interest rates would not have a material impact on the company and Group profit or reserves.

(f) Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis.

A significant proportion of the consolidated entity's sales are made to an associated company, Kara Industrial Minerals Pty Ltd. The directors consider that due to Kara Industrial Minerals Pty Ltd trade receivables are due from large national or multinational companies, the risk of default is considered low.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(g) Fair Value of Financial Instruments

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

Notes to the financial statements
for the financial year ended 31 December 2008

30. Financial instruments (cont'd)

(h) Financial risk management objectives

The board of directors monitors and manages the financial risks relating to the operations of the Group through monthly management reports. These risks include interest rate risk, credit risk, and liquidity risk. The Group seeks to minimise the effects of these risks by implementing cash management policies approved by the board of directors.

(i) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium, and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate banking facilities and monitoring forecast and actual cash flows.

31. Additional company information

Tasmania Mines Limited is a listed public company, incorporated and operating in Australia.

Registered Office	*Principal Place of Business*
Level 33, ABN AMRO Tower	Kara Mine
88 Phillip Street	683 Kara Road
Sydney NSW 2000	Hampshire TAS 7321

Additional stock exchange information as at 31 December 2008

Number of Holders of Equity Securities

Ordinary Share Capital

- 18,283,333 Fully Paid

All issued ordinary shares carry one vote per share, however, partly paid shares do not carry the right to dividends.

Options

- 40,000 unissued shares subject to options

Options do not carry a right to vote.

Distribution of Holders of Equity Securities

	Fully Paid Ordinary Shares	Party Paid Ordinary Shares	Converting Cumulative Preference Shares	Redeemable Preference Shares	Converting Non-Participating Preference Shares	Convertible Notes	Options
1 - 1,000	335	-	-	-	-	-	-
1,001 - 5,000	234	-	-	-	-	-	-
5,001 - 10,000	24	-	-	-	-	-	-
10,001 - 100,000	35	-	-	-	-	-	-
100,001 and over	9	-	-	-	-	-	-
	637	-	-	-	-	-	-
Holdings less than a marketable parcel	190	-	-	-	-	-	-

Substantial Shareholders

	Fully Paid		Partly Paid	
Ordinary Shareholders	Number	Percentage	Number	Percentage
Metroof Industries Pty Ltd	14,430,422	78.93	-	-
	14,430,422	78.93	-	-

Twenty Largest Holders of Quoted Equity Securities

	Fully Paid		Partly Paid	
Ordinary Shareholders	Number	Percentage	Number	Percentage
Metroof Industries Pty Ltd	14,430,422	78.93	-	-
Aliton Pty Ltd	751,173	4.11	-	-
Mr Joseph O. Carroll	502,000	2.75	-	-
Boland Holdings Pty Ltd	223,775	1.22	-	-
Mr Stuart L Bell	200,228	1.09	-	-
Telfer Nominees Pty Ltd	133,000	0.73	-	-
Ms Janet N. Gear	126,450	0.69	-	-
Mr David Bell	110,403	0.60	-	-

Additional stock exchange information as at 31 December 2008

Twenty Largest Holders of Quoted Equity Securities (continued)

Ordinary Shareholders	Fully Paid		Partly Paid	
	Number	Percentage	Number	Percentage
Winpar Holdings Ltd	104,776	0.57	-	-
Mrs Milly Elkington	70,514	0.39	-	-
Weldbank Pty Ltd	67,200	0.37	-	-
Mrs Caroline S Bell	60,000	0.33	-	-
Mrs Gloria Wadsworth	50,000	0.27	-	-
Florin Mining Investment	37,058	0.20	-	-
Mr Richard Lewis	36,225	0.20	-	-
Emichrome Pty Ltd	34,000	0.19	-	-
Guilfoyle Investments Pty Ltd	32,149	0.18	-	-
Mr Gerald Carrington	31,766	0.17	-	-
Ms Mary Marcia Cooney	31,750	0.17	-	-
HGR Nominees Pty Ltd	30,000	0.16	-	-
	17,062,889	93.32	-	-

Company Secretary

Mr Ken Broadfoot

Registered Office

Level 33, ABN AMRO Tower

88 Phillip Street

Sydney NSW 2000

Principal Administration Office

c/o The Engineering Company

Bass Highway

Somerset TAS 7322

Share Registry

Link Market Services Ltd

Level 9

333 Collins Street

Melbourne VIC 3000

Stock Exchange Listings

Tasmania Mines Limited's ordinary shares are quoted by the Australian Stock Exchange Limited.