TECTONIC

08

Annual Report

New focus. New future.

Contents

Notice of Annual General Meeting

The Tectonic Resources NL Annual General Meeting will be held at Novotel Perth Langley, 221 Adelaide Terrace, Perth WA on Friday the 14 November 2008 commencing at 9.00am.

About Tectonic

Tectonic is a Western Australian-based resource company focused on developing its 100 per cent owned Phillips River project, which hosts a rich inventory of precious and base metals.

With a highly prospective and largely untapped location at Phillips River and a board and management team of experienced and determined mining-industry professionals, Tectonic is well placed to realise value for shareholders.

Phillips River

Phillips River, Tectonic's flagship project, offers an established and diverse resource base with the capacity for near term low-cost production.

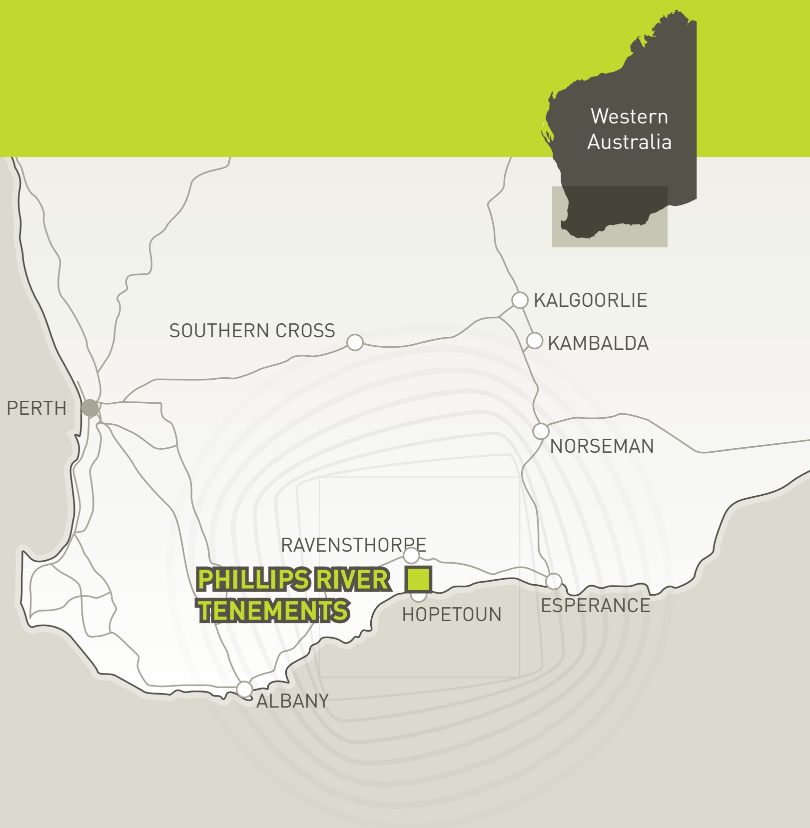
Tectonic has already identified two deposits that are within 10 kilometres of each other:

- **Trilogy** – a large polymetallic and precious metals deposit that provides an opportunity for an open pit mine.
- **Kundip** – an area of historical mining, which has a number of copper gold lodes that are under explored at depth and significant regional potential for further lodes beneath the thin veneer of transported cover.

Tectonic aims to develop Phillips River into a significant precious and base metals production centre.

Tectonic's Phillips River tenements are located 20 kilometres south east of Ravensthorpe in southern Western Australia - a region, which despite an extensive history of mining, has not yet been fully explored using modern techniques.

Tectonic has a strong track record as a producer in the region, having successfully mined in excess of 16,000 tonnes of nickel metal from its RAV8 mine.



Key highlights 2007/2008

Corporate

- Completed $3 million capital raising securing Jabiru Metals and Lion Selection as cornerstone investors.
- Divested Tuckabianna and Burnakura gold assets.
- Maintained a strong balance sheet with $4 million in cash reserves as well as investments in ATW Venture Corp and Silver Lake Resources following the divestment of the gold assets.

Phillips River

- Upgraded Trilogy resource to Global Indicated and Inferred Resource of 6.1Mt @ 1.1% Cu, 2.0% Pb, 1.2% Zn, 0.9g/t Au, and 50g/t Ag including a Copper/Lead/Zinc Core of 1.3Mt @ 1.2% Cu, 7.2% Pb, 4.3% Zn, 0.5g/t Au and 80g/t Ag.
- Established improved base metal recoveries from the transition and sulphide portions of the Trilogy resource through metallurgical test work returning commercial concentrate grades of copper, lead and zinc.
- Identified significant anomalies within two kilometres of the Trilogy resource as a result of geophysical surveys employed in the search for extensions and repeats of Trilogy style mineralisation.
- Unveiled two new copper and gold-bearing prospects at Kundip that have the potential to expand the Kundip resource.

RAV8 Joint Venture - Nickel

- Detected a strong sizeable chargeable anomaly in a previously undrilled part of the tenement.

People

- Strengthened the board with the appointment of Non-Executive Director Tony Martin – a geologist with over 20 years exploration and project development experience.

Looking ahead 2008/2009

During the next financial year Tectonic will conduct activities required to deliver a bankable feasibility study for Trilogy by 2010 - Trilogy will be the first development of the Phillips River project.

Phillips River Exploration

- Complete resource definition and extensional drilling at Trilogy for the feasibility study, reducing project risk and increasing confidence in the resource.
- Complete metallurgical evaluation of Trilogy to allow for the establishment of detailed design and financial parameters.
- Conduct drilling to test geophysical targets for repeats of Trilogy style mineralisation adjacent to the known Trilogy resource.
- Explore resource extensions at Kundip specifically drill testing the two newly identified copper and gold-bearing prospects.
- Gain comprehensive understanding of the nickel sulphide potential to the north of Kundip.

Chairman & Managing Director Report

It gives us great pleasure to present you the 2008 Tectonic Annual Report.

This was a year of consolidation for Tectonic as the Company finalised the divestment of its non-core assets, secured new cornerstone investors, strengthened its board and single-mindedly focused on pursuing value from its Phillips River project.

The fundamentals for success are now in place. We have a firm financial footing, a disciplined approach to exploration and a business plan to deliver a bankable feasibility study for the Phillips River project by 2010.

NEW FOCUS. NEW FUTURE.

The company is resolute in its pursuit of value and growth for shareholders through the advancement of its Phillips River project – a rich inventory of precious and base metals.

A successful $3 million capital raising saw Lion Selection and Jabiru Metals join the Tectonic share register and provided the cash injection to accelerate the development of the project. After consultation with its major shareholders the company believes it has unilateral support for its strategic focus on Phillips River. These shareholders are also of the view that Phillips River is a valuable asset which should reward all shareholders in the near term.

We are well underway with our two year plan to deliver a bankable feasibility study for Phillips River and realising our stated intention to prove up resources that will provide a 10 year production profile. With an already impressive asset base, our evaluation and exploration activities conducted during the year were aimed at expanding and increasing levels of confidence of the Phillips River resources.

EVALUATION AND EXPLORATION SUCCESS

The significant upgrade of the Trilogy resource, made at the end of the financial period, reflected the success of the Company's drilling campaigns. It is the impressive resource base at Trilogy that will spearhead the development of the Phillips River project.

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The Trilogy deposit - given its size and shallow nature - is expected to support a large open pit operation. During the year we achieved a much greater understanding of the nature of the mineralisation and the process required to take the Trilogy resource through to production.

Specifically, extensive metallurgical testwork returned commercial concentrate grades and improved recoveries over the pre-feasibility study providing higher levels of confidence in the Trilogy resource base. Furthermore, advancements in our understanding of the deposit geometry from resource drilling indicates that an open pit operation will now have a lower ore to waste ratio than previously contemplated, which both reduces the cost of ore extraction and lessens the environmental, economic and engineering impacts of waste management.

We are pleased to report that our search at Trilogy for extensions or repeats of Trilogy style mineralisation also gained momentum. Electromagnetic and gravity surveys returned a number of significant anomalies, which are now targets of exploration drilling.

At Kundip, where we aim to expand the resource base to strengthen the Phillips River investment case, reconnaissance drilling has already unveiled two new copper and gold-bearing structures highlighting the potential to expand the Kundip resource base. These new structures also provide evidence that significant potential exists in the area surrounding the historical workings – an area that has been only very lightly explored and has a thin veneer of transported or Proterozoic cover masking any surface expression of the Archaean rock hosting the copper gold mineralisation.

OUR PEOPLE

Over the past 18 months we have brought together a motivated and talented team of professionals to take the Company forward. Your board strengthened during the year with the appointment of Tony Martin as Non-Executive Director. Tony brings a wealth of experience with over 20 years in exploration and project development.

We take this opportunity to thank Mr Graham Baldisseri, who resigned as Company Secretary during the year. We thank him for his input and resolve during the Company's rationalisation and transition period.

During the year we also welcomed Graham Anderson from GDA Corporate to provide CFO and Company Secretary services to the Company. The outsourcing of these services is consistent with the workforce rationalisation Tectonic conducted to ensure resources and operating costs were at an appropriate level for this exploration and evaluation period.

Tectonic has a focused team united in their vision for the business. We wish to thank our team for their commitment and dedication and pay tribute to their efforts in the previous twelve months.

LOOKING AHEAD

We are on track to complete the technical aspects of the Phillips River bankable feasibility study, gain regulatory approval to develop the project and reduce project risk by proving up additional resources.

Exploration at Trilogy will continue to be focused on exploring for repeats of Trilogy style mineralisation in the region and the conversion of the greater proportion of the existing resource into a higher confidence "indicated" classification reflecting the requirements necessary for conversion to a mining reserve.

At Kundip, our exploration activities are aimed to expand the resource base to strengthen the Phillips River investment case.

The Phillips River tenement overall is highly prospective for nickel and copper mineralisation. We will continue to progress a regional program to build confidence in our geological models over the whole prospective area.

The next year will be a significant period in achieving our stated intention of developing Phillips River into a significant precious and base metals production centre. Tectonic has a disciplined business plan in place and milestones to production have been set.

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We look forward to a rewarding future.

Hamish Bohannan
Chairman

Steve Norregaard
Managing Director

Activities Review

PHILLIPS RIVER PROJECT (100%)

Previous studies have demonstrated the economic potential of Tectonic's 100 per cent owned Phillips River project - an established resource base of precious and base metals with the capacity for near term production.

All of the programs undertaken during the 2007 to 2008 financial year played an important role in the advancement of the bankable feasibility study for Phillips River, which the Company plans to deliver by 2010.

Phillips River tenements

Tectonic increased its Phillips River tenement holdings to 140km^2 during the year after it entered into a joint venture with a private company Zetec Resources Pty Ltd. By agreeing to an expenditure program and providing a small consideration, Tectonic acquired the interest via an exploration farm in style agreement.

Key exploration and evaluation activities

The Phillips River project includes two established resources within 10 kilometres of each other – the Trilogy base metals (copper, lead, zinc, gold and silver) deposit and the Kundip gold copper deposits. During the year, both of these were the subject of extensive exploration and evaluation activities aimed at providing greater confidence and understanding of the resources.

TRILOGY

- **Resource upgrade**

A significant highlight for the year was the upgrade of the Trilogy Resource Statement.

6.1MT @ 1.1% Cu, 2.0% Pb, 1.2% Zn, 0.9g/t Au and 50g/t Ag

From the last resource statement of August 2004 this represents an overall increase of 42% in tonnage, 28% increase in contained gold, 22% increase in contained silver, 15% increase in contained copper, 6% increase in contained zinc and a 3% increase in contained lead. The increase is as a result of successful drilling campaigns conducted during the intervening period.

Whilst the resource has been upgraded the orebody dimensions have essentially stayed the same. This lowers the production cost profile for the project as any open pit designed around the ore shape will have a lower ore to waste ratio.

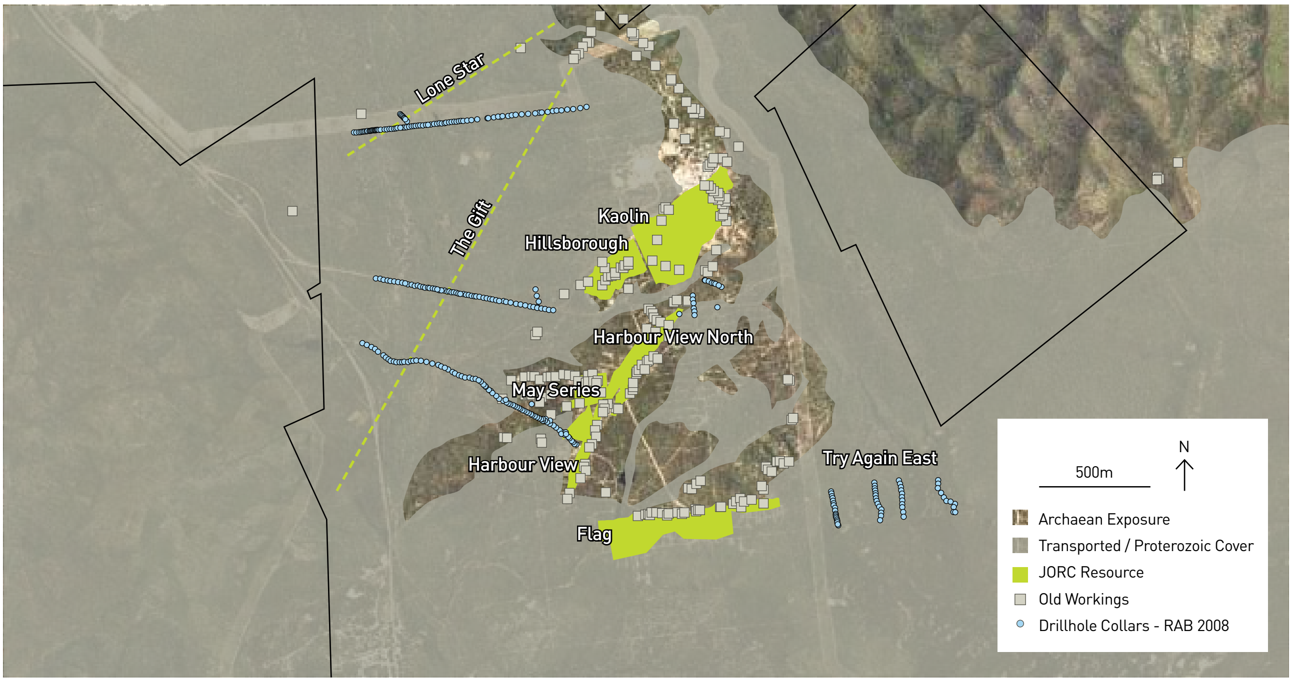
- **Metallurgical testwork**

In addition to the significant resource upgrade, the metallurgical test program returned insights that are allowing the Company to better define appropriate treatment protocols. The program is defining the most appropriate floatation processing route, optimising the recovery of the various metals into its various components and maximising the grade of the concentrates to minimise off site costs and ensure a readily marketable product results.

- **Regional geophysical anomalies**

Towards the end of the reporting period an important development was made in the Company's search for extensions and repeats of Trilogy style mineralisation. Gravity and electromagnetic geophysical surveys at Trilogy identified a number of significant anomalies within two kilometres of the Trilogy Resource. Of these, four are rated as highly significant and are the subject of current exploration drilling.

Kundip plan showing the location of known resources and new discoveries. The uncovering of The Gift and Lone Star structures highlights the potential to expand the Kundip resource.



KUNDIP

- **Highly encouraging copper and gold discoveries**

Progress at Kundip was very encouraging with a potential new copper gold ore zone being discovered under Proterozoic and recently transported cover. The uncovering of The Gift and Lone Star structures by reconnaissance drilling highlights the potential of the mineral field to expand Kundip's resource of 3.71Mt at 4.4g/t Au and 0.5% Cu.

The drilling program's high grade intercepts included 3 metres at 5.7% Cu, 2 metres at 17.7 g/t Au and 8 metres at 2.53 g/t Au.

- **Confidence in known resources**

Resource drilling on known structures during the year confirmed mineralisation extent and upgraded confidence through denser drilling of the known Kundip resources.

Of note was the identification of the potential of the Harbour View and Harbour View North structures to the north of current resource boundaries, with reconnaissance drilling opening up the potential for further strike extensions. These results represent an excellent opportunity to see these resources grow.

REGIONAL EXPLORATION - NICKEL

During the year, work was undertaken to explore the ultramafic contact to the east and north of Kundip. This area is prospective for massive sulphide nickel mineralisation. Regional mapping, soil geochemistry and limited electromagnetic geophysical surveys led to an increased understanding of the area. Sites of increased interest were identified for further work during the forthcoming year.

Phillips River outlook

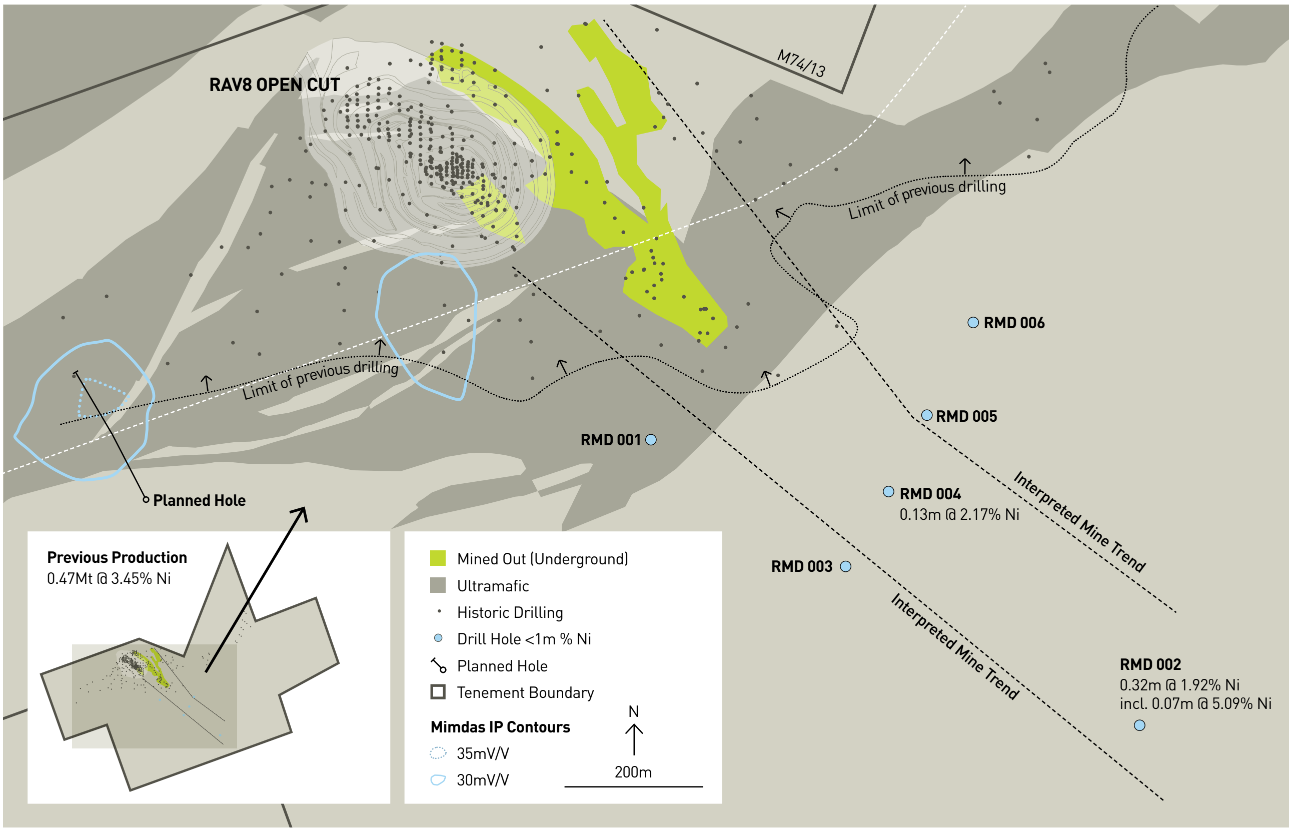
Over the next 15 months the Company will be progressing the bankable feasibility study for Trilogy as the first development for the Phillips River project. Whilst Trilogy and Kundip are close and similar enough to ultimately allow treatment through a common plant, the Company believes that the scale and geometry of Trilogy lends itself to being the obvious starting point for the operation. Despite the higher grades, the relatively narrow nature and more complex geology of the Kundip resource lends itself to be a great support project.

In context of this development strategy, Tectonic will continue the advancement of its exploration program to increase the resource base at Trilogy and Kundip. The ultimate aim is to prove up a resource base that will underpin production for at least 10 years.

Specifically, the Phillips River exploration and evaluation program for the forthcoming year will:

- Complete resource definition and extensional drilling at Trilogy
- Complete the metallurgical testwork program to allow detailed design and financial parameters to be established
- Drill test the targets adjacent to Trilogy, that were generated from the geophysical survey, for repeats of Trilogy style mineralisation
- Explore for resource extensions at Kundip, specifically testing the new copper gold Lone Star and Gift prospects
- Gain a comprehensive understanding of the nickel sulphide potential to the north of Kundip through a regional exploration program.

RAV8 map showing the location of the anomaly, which was detected to the south-west of the original RAV8 mine and is the subject of current drilling.



RAV8 JOINT VENTURE

(Tectonic 100%, Mincor Resources NL earning 80%)

In January 2007, Tectonic entered into an exploration farm in agreement with Mincor Resources NL (Mincor) allowing Mincor to earn an 80 per cent equity interest in the RAV8 nickel mine by spending $5 million on exploration within a three year period.

Operations

The mining venture that begun in January 2007, aimed at recovering remanent ore in the upper levels of the mine, was successfully completed in August 2007. The mining campaign was rewarding, yielding a greater tonnage than expected albeit at a slightly lower grade than forecast and proved to be a valuable source of revenue.

	FY 2007/2008	Project
Tonnes Mined	681	468,131
Grade	2.15%	3.45%
Tonnes Nickel	14.6	129

RAV8 Production Statistics

Exploration

Following the initial round of drilling conducted early in the reporting period, Mincor carried out a MIMDAS induced polarisation survey over the southern part of the tenement. A strong and sizeable chargeable anomaly was detected in a previously undrilled part of the tenement south-west of the RAV8 mine.

Preliminary geological interpretation indicates that the anomaly could host nickel sulphide mineralisation. Drilling is now being carried out on this compelling target.

ASSET DIVESTMENT

Consistent with Tectonic's strategy to focus on the development of its Phillips River project, the Company was successful in divesting its investments in both Burnakura and Tuckabianna during the year.

In respect to the Tuckabianna gold project, Tectonic and its joint venture partner reached an agreement on 22 August 2007 with Silver Lake Resources Ltd regarding the acquisition of the assets. The progressive transfer of tenements was largely completed by March 2008, with three exploration licenses due to be transferred in the forthcoming year.

The sale of the Burnakura gold project to ATW Venture Corp Inc. was completed on 24 December 2007.

Major plant and equipment associated with the underground operations at RAV8 and Burnakura were also sold during the year.

CAPITAL RAISING

During the year Tectonic completed a successful $3 million capital raising introducing two new cornerstone investors to the Company's share registry. A placement prospectus was lodged with the ASX in November 2007 allowing Jabiru Metals Ltd and Lion Selection Ltd to apply for shares in the Company.

The proceeds of this raising were applied to exploration activities aimed at increasing the resources at Phillips River and metallurgical testwork to advance the Company's understanding of the Trilogy resource. The Company issued a further 42,857,142 shares bringing shares in the Company to 261,983,923.

INVESTMENTS

At the end of the financial period, Tectonic maintained a strong balance sheet with $4 million in cash as well as investments in ATW Venture Corp and Silver Lake Resources resulting from the divestment of the gold assets.

OUR PEOPLE, ENVIRONMENT AND COMMUNITY

Our people

With the closure of the RAV8 operations, Tectonic rationalised its operational and administrative workforce to ensure the appropriate level of resourcing is in place to support the feasibility stage of its Phillips River project. The number of employees engaged in exploration activities remained constant during the year. It is expected that Tectonic's employment levels will grow as the Company's activities increase with the development of Phillips River.

Despite a shortage of skilled workers in the WA mining industry, to date the Company has not had difficulties attracting qualified professionals for its operations. Tectonic's employee retention efforts are focused on personal and professional development through external training courses and the provision of residential accommodation for employees wishing to relocate their families to the Ravensthorpe area.

Tectonic aspires to have an indigenous component to its workforce and will, upon the development of its Phillips River project, actively encourage further education opportunities for its indigenous workforce. To this end the Company is engaged in dialogue with the Wagyl Kaip people.

Health and safety

At all times Tectonic seeks to ensure its workplace is safe and free from risks to the heath and welfare of its employees, contractors, visitors and local community. Through adequate resourcing and proper education it believes it can create a risk-free workplace and minimise the hazards inherent in the mining industry.

There were no serious or fatal injuries during the year and the Company attained a LTIFR of zero for the reporting period. Tectonic's well developed employee and contractor induction programs and pre-employment screening effectively minimised health and safety risks.

An extensive lead policy was developed during the year to manage any potential exposure of employees and contractors to organic lead. Under the policy, employees and contractors receive appropriate education on necessary safeguards and are monitored through regular blood tests.

Environment

Tectonic recognises the unique environment in which it operates and is committed to caring for it. Through effective management practices Tectonic minimises, mitigates and offsets any potential impact the Company's activities have on the environment.

The progressive rehabilitation of the RAV8 mine site is a priority for the Company.

The progressive rehabilitation of the RAV8 mine site is a priority for the Company. During the year work on rehabilitating the evaporation dam commenced.

Operating in the a region with high biodiversity, the Company conducts comprehensive vegetation surveys well in advance of exploration activities, collects seeds for storing to be used in later rehabilitation work, adheres to a dry soils policy to avoid the potential for jarrah dieback spreading and conducts ongoing rehabilitation of all drill sites as the norm.

In addition to onsite environmental activities Tectonic supports external environmental initiatives including the Western Shield program that targets the eradication of feral foxes in the South West as well as sponsoring surveys overseen by the Department of Environment and Conservation to study specific declared rare flora plants endemic in the region.

Tectonic is investigating ways to minimise the impact of the proposed Emissions Trading System upon commencement of the project by looking at ways to supplement the Phillips River power requirements with sustainable wind power. In addition the Company is studying the opportunity to vegetate company owned farming land with trees for carbon sequestration.

The company owned farming property and its proximity to the prevailing southerly winds makes for an ideal site to adopt green energy initiatives and minimise the Company's carbon footprint.

Community

Tectonic is fortunate to operate in an area that exhibits a strong sense of community and the Company works diligently to ensure it is an active community participant in the Ravensthorpe and Hopetoun district.

The advent of our operation will add to the vibrancy of the local community and provide significant local benefits. These include opportunities for employment, indigenous training schemes and the purchasing of local materials and services.

The Company enjoys open and active communication with the Ravensthorpe and Hopetoun community presenting regularly at venues in the region. On a biannual basis the Company provides formal updates to the Ravensthorpe Shire Council and as a corporate member of the Ravensthorpe Chamber of Commerce the Company keeps abreast of issues facing the community and assists where appropriate.

Tectonic provides financial and in-kind support to a range of community initiatives in the areas of environment, sport, health and education. Tectonic's current sponsorship partners include the Royal Flying Doctor Service, Ravensthorpe Volunteer Fire Brigade, Ravensthorpe and District High School, Hopetoun Junior Football Club and the Hopetoun and Ravensthorpe Golf Clubs.

Tectonic Global Resources

DETAILED TRILOGY RESOURCE TABLE*

TRILOGY GLOBAL RESOURCE TABLE Category	Tonnes (000)	Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)
MEASURED	-	-	-	-	-	-
INDICATED	4,301	0.8	63	1.0	2.7	1.5
INFERRED	1,789	1.0	17	1.1	0.5	0.3
GRAND TOTAL	**6,090**	**0.9**	**50**	**1.1**	**2.0**	**1.2**

TRILOGY RESOURCE: CONTAINED METAL Category	Tonnes (000)	Au Oz (000)	Ag Oz (000)	Cu t (000)	Pb t (000)	Zn t (000)
MEASURED	-	-	-	-	-	-
INDICATED	4,301	113	8,703	45	114	65
INFERRED	1,789	58	995	20	9	6
GRAND TOTAL	**6,090**	**172**	**9,698**	**65**	**123**	**71**

*Based on wire-framing to drill holes on a 0.5% Cu equivalent cut-off and reporting to a 1.0% Cu equivalent cut-off
Oxide Cu eq. = (Au ppm * 9017)+(Ag ppm * 170.3)+(Cu ppm)
Sulphide Cu eq. = (Au ppm * 3785)+(Ag ppm * 72.5)+(Cu ppm)+(Pb ppm * 0.2291)+(Zn ppm * 0.2925)

DETAILED KUNDIP RESOURCE TABLE#

KUNDIP PROJECT GLOBAL RESOURCE TABLE Category	Tonnes (000)	Au (g/t)	Cu (%)	Au Oz (000)	Cu t (000)
MEASURED	116	4.6	0.2	17	0
INDICATED	2,573	4.2	0.5	349	12
INFERRED	1,016	4.7	0.7	153	7
GRAND TOTAL	**3,705**	**4.4**	**0.5**	**519**	**19**

*Based on wire-framing to drill holes and reporting to a 1.0g/t Au cut-off. 25g/t Au to 50g/t Au top cuts applied.

COMPETENT PERSON'S STATEMENT

*The information in this report that relates to Mineral Resources relating to Trilogy is based on information compiled by Ted Coupland and Jill Irvin of Cube Consulting, who are Members of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists respectively. Ted Coupland and Jill Irvin have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the JORC Code. Ted Coupland and Jill Irvin consent to the inclusion in the report of the matters based on their information in the form and context in which it appears. Cube Consulting is an independent Perth based resource consulting firm specialising in geological modelling, resource estimation and Information Technology.

#The information in this report that relates to Exploration Results and Mineral Resources relating to Kundip is based on information compiled by Mr Bruce Armstrong who is a Member of the Australian Institute of Geoscientists. Mr Armstrong is a full time employee of Tectonic, and has sufficient experience which is relevant to the style of mineralisation under consideration to qualify as a Competent Person as defined in the 2004 Edition of the JORC Code. Mr Armstrong has given his consent to the inclusion in the report of the matters based on the information in the form and context in which it appears.

Directors' Report

The directors present their report together with the financial report of Tectonic Resources NL ('the Company') and of the Group, being the Company, its subsidiaries, and the Group's interest in associates and jointly controlled entities for the financial year ended 30 June 2008 and the auditor's report thereon.

1. DIRECTORS

The directors of the Company at any time during or since the end of the financial year are as follows:

Hamish Bohannan

B(Eng)Sc Hons Mining, M(Eng)Sc Rock Mechanics, MBA, FAusIMM, CE, MAICD

Age: 51
Independent Non-Executive Director & Chairman

Mr Bohannan is a Mining Engineer with 31 years experience in mining operations throughout Australia, Africa and North and South America. He qualified at the Royal School of Mines Imperial College in London with a First Class Honours degree in Mining Engineering. In addition Mr Bohannan has a Masters in Business Administration from Deakin University. He is a Fellow of the AusIMM, Member of the Institute of Mining and Metallurgy and a Member of the Australian Institute of Company Directors. Mr Bohannan was formerly Chief Executive Officer of Gallery Gold Limited from 2002 to 2006 and Braemore Resources PLC from 2006 to 2008. He is currently a director of Lachlan Star Ltd and Bathurst Resources Ltd.

Appointed 14 February 2007
Appointed Chairman 26 February 2007

Steve Norregaard

BEng (WASM), MAusIMM, MAICD (Mining Engineer)

Age: 42
Managing Director

Mr Norregaard is a Mining Engineer with some 22 years experience within the mining industry. He has held senior positions with National Mine Management Pty Ltd leading to the role of General Manager - Underground Mining for Macmahon Contractors. Mr Norregaard joined the Company in August 2002 as General Manager and was appointed to the role of Managing Director in December 2003.

Appointed 19 December 2003

Joe Totaro

BComm, CPA, FTIA (Accountant)

Age: 49
Independent Non-Executive Director

Mr Totaro is an Accountant and has extensive commercial experience in the activities of a number of private companies, including many involved in the mining industry.

Appointed 11 February 2003

Directors' Report (continued)

Andrew Czerw

B.S. University of Canberra, MAusIMM (Geologist)

Age: 40
Executive Director

Mr Czerw is a geologist with over 19 years experience in the mining industry. Prior to joining the Company in August 2002, Mr Czerw held several chief mine geologist positions with a number of publicly listed companies in Western Australia and overseas.

Appointed 3 May 2006

Anthony Martin

BSc(Hons) Geology, MAusIMM (Geologist)

Age: 45
Independent Non-Executive Director

Mr Martin has over 20 years experience as an exploration geologist in a wide variety of commodities with the last 10 years in management and corporate roles within publicly listed and private companies. In recent years he was responsible for the acquisition of the Rover and Yandal base metal and gold projects from AngloGold through his private company Navarre Resources Pty Ltd. He then became CEO and Director of Westgold Resources NL following the takeover of Navarre by Westgold. In his time at Westgold he oversaw extensive restructuring of the company into a successful, focused gold and base metals explorer as well as the 'spin out' of the Yandal gold and uranium projects into Aragon Resources Limited. Mr Martin currently works as an exploration management consultant.

Appointed 18 April 2008

2. COMPANY SECRETARY

Graham Anderson

BBus, DipFP, CA

Age: 45

Mr Anderson is a graduate of Curtin University and has over 20 years commercial experience as a Chartered Accountant. He operates his own specialist accounting and management consultancy practice, providing a range of corporate advisory services to both public and private companies. He was an audit partner at Duesburys from 1990 to 1997 and at Horwath Perth from 1997 to 1999. Mr Anderson is currently Director and Company Secretary of a number of listed and unlisted public companies in both the resource and industrial sectors.

Appointed 12 February 2008

3. DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Board of directors	Number of meetings held*	Number of meetings attended
Mr H J L Bohannan (Chairman)	8	8
Mr J S Norregaard	8	8
Mr G Totaro	8	8
Mr A E Czerw	8	8
Mr A R Martin [a]	2	2

(a) Mr A R Martin was appointed on 18 April 2008
* Number of meetings held during the year whilst the director held office

4. CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the Australian Securities Exchange (ASX) Corporate Governance Council recommendations, unless otherwise stated.

4.1. BOARD OF DIRECTORS

Role of the board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for the overall corporate governance of the Group including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems.

It is also responsible for approving and monitoring financial and other reporting. Details of the board's charter are located on the Company's website (www.tectonic.com.au).

The board has delegated responsibility for operation and administration of the Company to the chief executive officer and executive management. Responsibilities are delineated by formal authority delegations.

Board processes

The full board currently holds eight scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the chairperson, chief executive officer and company secretary. Standing items include the chief executive officer's report, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in board discussions and directors have other opportunities, including visits to business operations, for contact with a wider group of employees.

Director education

The Group has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Group concerning performance of directors. Directors also have the opportunity to visit Group facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Independent professional advice and access to Company information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the chairperson, may seek independent professional advice from a suitably qualified adviser at the Group's expense. The director must consult with an advisor suitably qualified in the relevant field, and obtain the chairperson's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other members of the board.

Composition of the board

The names of the directors of the Company in office at the date of this report, specifying which are independent, are set out in the Directors' report on pages 11 and 12 of this report. The composition of the board is determined using the following principles:

The board has five directors, three of whom are independent non-executive directors including the Chairman, and two executive directors.

The procedures for election and retirement of the directors are governed by the Company's Articles of Association and the Listing Rules of the Australian Securities Exchange Limited.

The composition of the board is determined using the following principles:

- The board shall comprise a majority of independent non-executive directors.
- The board shall comprise directors with a range of expertise encompassing the current and proposed activities of the Company.
- Where a vacancy is considered to exist, the board selects an appropriate candidate through consultation with external parties, consideration of the needs of the shareholder base and consideration of the needs of the Company. Such appointments are referred to shareholders at the next available opportunity for re-election in general meeting.
- The Company is committed to maintaining a board of a size which has the ability to respond very quickly to the opportunities which may arise as a result of its activities.
- Before agreeing to join the board, each nominated director must demonstrate their willingness to commit the necessary time required to discharge their responsibilities.
- The terms and conditions of the appointment of non-executive directors are set out in a letter of appointment.

4.2. COMMITTEES OF THE BOARD

The Company is not currently considered to be of a size, nor are its affairs of such complexity to justify the establishment of separate committees (i.e. Audit or Remuneration or Nomination or Risk Management Committee). Accordingly, all matters which may be capable of delegation to a committee are dealt with by the full board.

4.3. REMUNERATION REPORT - AUDITED

4.3.1. Principles of compensation

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and executives for the Company and the Group including the five most highly remunerated S300A executives.

Compensation levels for key management personnel and secretaries of the Company, and key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The board of directors obtains independent advice on the appropriateness of compensation packages of both the Company and the Group given trends in comparative companies both locally and internationally and the objectives of the Company's compensation strategy.

Directors' Report (continued)

4. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

4.3. REMUNERATION REPORT - AUDITED (CONTINUED)

4.3.1. Principles of compensation (continued)

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel
- the key management personnel's ability to control the relevant department's performance
- the Group's performance including:
  - the Group's earnings
  - the growth in share price and delivering constant returns on shareholder wealth
  - the amount of incentives within each key management personnel's compensation

Compensation packages include a mix of fixed and variable compensation and short-term and long-term performance-based incentives.

In addition to their salaries, the Group also provides non-cash benefits to its key management personnel, and contributes to a post-employment defined contribution superannuation plan on their behalf.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the board through a process that considers individual, segment and overall performance of the Group. In addition, external consultants provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the market place. A senior executive's compensation is also reviewed on promotion.

Executives are offered a competitive salary package as this forms the base of their remuneration. Base salary is reviewed annually to ensure remuneration is competitive with the general market range. This is very important as most key management personnel do not receive any short-term incentive/reward component in their package. Remuneration is reviewed annually – however given market competition for labour, the board has resolved to review remuneration bi-annually.

Performance linked compensation

Performance linked compensation includes both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. The short-term incentive (STI) is an 'at risk' bonus provided in the form of cash, while the long-term incentive (LTI) is provided as options over ordinary shares of the Company under the rules of the Employee Share Option Plan (see note 32 to financial statements). The board did not exercise any discretion on the payment of bonuses and options.

Short-term incentives

Should the Company achieve an above budget profit and/or production target in a financial year, or a new phase of project development is successfully achieved in an expedient manner and within budget, the board may reward the executive directors with a cash bonus during the annual salary review.

These bonuses are not a pre-determined amount or pool linked to an incentive arrangement, but a post-outcome reward assessed on actual performance. It is considered that a bonus is paid for exceptional performance and not as a regular portion of the compensation package of key management personnel. It is believed that short-term incentives can cause a short-term focus and could be detrimental to the long-term growth of the Company and those ensuing benefits to shareholders.

Long-term incentives

Long-term incentives are predominantly provided through participation in the Company's Employee Share Option Plan.

The objective of the Employee Share Option Plan is to reward employees in a manner which aligns them with those of the shareholders of the Company. They are granted to directors and senior managers under the terms of the Tectonic Resources NL Employee Option Share Plan. The options are granted for no consideration and are exercisable at the discretion of the board, but in any event no longer than five years from the date of issue. The options carry no dividend or voting rights, and when exercised, are converted into fully paid ordinary shares in Tectonic Resources NL.

The exercise price of the options is set at a minimum of 10% above the weighted average price at which the Company's shares traded on the Australian Securities Exchange Limited during the five trading days immediately prior to the date on which the options were offered to the employees.

Special benefits

The Company may grant a special benefit to an employee in certain circumstances. These special benefits may include house rental and/or relocation payment for employees that are being relocated to commence their employment with, or change position within, the Company's operations.

Special benefits are not considered to be a regular part of a key management personnel's compensation but are granted due to irregular special circumstances referable to the person's employment or work with the Company.

Service contracts

It is the Company's policy not to enter into service agreements with executive officers (other than as mentioned below). All key management personnel have a common law employment contact with the Company. The standard employment contract is for an unlimited term and may be terminated with four weeks written notice.

GRAHAM ANDERSON

The Company has in place a service agreement with GDA Corporate, a company in which Mr Graham Anderson is a director, whereby GDA Corporate is to provide company secretarial, accounting and other corporate services to Tectonic Resources NL at a monthly fee of $8,500 plus GST (goods and services tax).

Non-executive directors

Non-executive directors do not receive performance related compensation. Directors' fees cover all board activities.

4.3.2. Directors and executive officers' remuneration (Company and Consolidated)

Details of the nature and amount of each major element of remuneration of each director of the Company and each of the five named Company executives and relevant Group executives who receive the highest remuneration and other key management personnel are:

		Short-term				Post-employment			Share-based payments		S300A(1)(e)(i)(vi)	S300A(1)(e) (i)(vi)
		Salary & fees $	STI cash bonus $	Other benefits $	Total $	Superannuation benefits $	Other long-term $	Termination benefits $	Options & rights $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
DIRECTORS												
Mr H J L Bohannan (a)	**2008**	**-**	**-**	**-**	**-**	**26,410**	**-**	**-**	**-**	**26,410**	**0.00%**	**0.00%**
Chairman/Director (Non-Executive)	2007	9,409	-	-	9,409	847	-	-	-	10,256	0.00%	0.00%
Mr J S Norregaard	**2008**	**258,038**	**-**	**3,272**	**261,310**	**28,123**	**-**	**-**	**102,467**	**391,901**	**0.00%**	**26.15%**
Managing Director (Executive)	2007	256,520	-	10,593	267,113	23,086	-	-	-	290,199	0.00%	0.00%
Mr G Totaro	**2008**	**24,232**	**-**	**-**	**24,232**	**2,181**	**-**	**-**	**-**	**26,413**	**0.00%**	**0.00%**
Director (Non-Executive)	2007	25,000	-	-	25,000	2,250	-	-	-	27,250	0.00%	0.00%
Mr A E Czerw	**2008**	**193,008**	**-**	**2,623**	**195,631**	**17,371**	**-**	**-**	**51,234**	**264,235**	**0.00%**	**19.39%**
Operations Director (Executive)	2007	186,000	-	9,878	195,878	16,740	-	-	-	212,618	0.00%	0.00%
Mr A R Martin (b)	**2008**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.00%**	**0.00%**
Director (Non-Executive)	2007	-	-	-	-	-	-	-	-	-	0.00%	0.00%
EXECUTIVE OFFICERS												
Mr G D Anderson (c)	**2008**	**-**	**-**	**37,460**	**37,460**	**-**	**-**	**-**	**-**	**37,460**	**0.00%**	**0.00%**
Company Secretary/CFO	2007	-	-	-	-	-	-	-	-	-	0.00%	0.00%
Mr B E J Armstrong	**2008**	**115,598**	**-**	**-**	**115,598**	**10,404**	**-**	**-**	**21,789**	**147,791**	**0.00%**	**14.74%**
Senior Geologist	2007	121,000	-	-	121,000	10,350	-	-	-	131,350	0.00%	0.00%
Mr R D Walker (d)	**2008**	**119,223**	**-**	**-**	**119,223**	**10,730**	**-**	**-**	**-**	**129,953**	**0.00%**	**0.00%**
Mine Manager	2007	125,000	-	-	125,000	11,250	-	-	-	136,250	0.00%	0.00%
FORMER												
Mr G L Baldisseri (e)	**2008**	**125,885**	**-**	**-**	**125,885**	**13,310**	**-**	**21,999**	**43,579**	**204,773**	**0.00%**	**21.28%**
Company Secretary/CFO	2007	162,707	-	-	162,707	14,644	-	-	-	177,351	0.00%	0.00%
Mr F J Fiore (f)	**2008**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.00%**	**0.00%**
Chairman/Director (Non-Executive)	2007	22,500	-	-	22,500	2,025	-	-	-	24,525	0.00%	0.00%
Mr D G Jackson (g)	**2008**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.00%**	**0.00%**
Exploration Manager	2007	79,007	-	2,371	81,378	6,301	-	-	-	87,679	0.00%	0.00%
Mr G Philips (h)	**2008**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.00%**	**0.00%**
Operations Manager	2007	154,934	15,000	2,509	172,443	12,750	-	-	-	185,193	8.10%	0.00%
Mr D K Sutherland (i)	**2008**	**55,417**	**-**	**4,020**	**59,437**	**6,256**	**-**	**20,400**	**-**	**86,094**	**0.00%**	**0.00%**
Resident Manager RAV 8	2007	190,600	-	6,333	196,933	15,750	-	-	-	212,683	0.00%	0.00%
TOTAL COMPENSATION: KEY MANAGEMENT PERSONNEL (CONSOLIDATED)	**2008**	**891,401**	**-**	**47,375**	**938,776**	**114,785**	**-**	**42,399**	**219,069**	**1,315,029**	**0.00%**	**16.66%**
	2007	1,332,677	15,000	31,684	1,379,361	115,993	-	-	-	1,495,354	1.00%	0.00%

(a) Mr H J L Bohannan was appointed Director on 13 February 2007 and appointed Chairman on 26 February 2007 and received payments in the form of superannuation benefits in 2008

(b) Mr A R Martin was appointed Director on 18 April 2008 and received no remuneration in 2008

(c) Mr G D Anderson was appointed Company Secretary on 12 February 2008

(d) Mr R D Walker resigned on 2 August 2008

(e) Mr G L Baldisseri resigned as Company Secretary on 12 February 2008

(f) Mr F J Fiore resigned as Chairman/Director on 26 February 2007

(g) Mr D G Jackson resigned on 12 January 2007

(h) Mr G Phillips resigned on 27 April 2007

(i) Mr D K Sutherland resigned on 5 October 2007

Directors’ Report (continued)

4. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

4.3. REMUNERATION REPORT - AUDITED (CONTINUED)

4.3.3. Equity instruments

All options refer to options over ordinary shares of Tectonic Resources NL, which are exercisable on a one-for-one basis under the Employee Share Option Plan.

4.3.3.1. Options and rights over equity instruments granted as compensation

Details of options over ordinary shares in the Company that were granted as compensation to each key management personnel during the reporting period and details of options that were vested during the reporting period are as follows:

Name	Grant date	Opening balance	Granted during year	Lapsed/ Forfeited during year	Exercised during year	Closing balance	Strike price	Expiry date
2008								
DIRECTORS								
Mr J S Norregaard	24 Nov 05	2,000,000	-	2,000,000	-	-	$0.20	30 Jun 08
Mr J S Norregaard	26 Nov 07	-	2,000,000	-	-	2,000,000	$0.10	25 Nov 09
Mr A E Czerw	03 Oct 05	250,000	-	250,000	-	-	$0.20	15 May 08
Mr A E Czerw	26 Nov 07	-	1,000,000	-	-	1,000,000	$0.10	25 Nov 09
EXECUTIVE OFFICERS								
Mr B E J Armstrong	10 Sep 07	-	500,000	-	-	500,000	$0.10	09 Sep 09
Mr G L Baldisseri	15 May 06	250,000	-	250,000 [a]	-	-	$0.20	30 Jun 08
Mr G L Baldisseri	10 Sep 07	-	1,000,000	1,000,000 [a]	-	-	$0.10	09 Sep 09
Mr D K Sutherland	03 Oct 05	100,000	-	100,000 [b]	-	-	$0.20	30 Jun 08
2007								
DIRECTORS								
Mr J S Norregaard	24 Nov 05	2,000,000	-	-	-	2,000,000	$0.20	30 Jun 08
Mr A E Czerw	03 Oct 05	250,000	-	-	-	250,000	$0.20	15 May 08
EXECUTIVE OFFICERS								
Mr G L Baldisseri	15 May 06	250,000	-	-	-	250,000	$0.20	15 May 08
Mr D G Jackson	03 Oct 05	100,000	-	100,000	-	-	$0.20	30 Jun 08
Mr D K Sutherland	03 Oct 05	100,000	-	-	-	100,000	$0.20	30 Jun 08
Mr G Philips	21 Mar 06	200,000	-	200,000	-	-	$0.20	30 Jun 08
Mr S Krebs	08 May 06	200,000	-	200,000	-	-	$0.19	30 Jun 08

(a) Options granted to Mr G L Baldisseri were forfeited upon his resignation from the Company on 12 February 2008

(b) Options granted to Mr D K Sutherland were forfeited upon his resignation from the Company on 5 October 2007

No options were issued since the end of the financial year.

All options expire on the earlier of their expiry date or termination of the individual’s employment. The options are exercisable between two and three years from grant date. Further details, including grant dates and exercise dates regarding options granted to executives under the Employee Share Option Plan are in note 32 to the financial statements.

4.3.3.2. Analysis of movements in options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each Company director and each of the five named Company executives and relevant Group executives and other key management personnel is detailed below.

Name	Grant date	Opening balance	Granted during year	Lapsed/ Forfeited during year	Exercised during year	Closing balance	Strike price	Expiry date	Value at grant date $ (a)	Value at exercise date $ (b)	Value at date lapsed/ Forfeited $ (c)	Total value of options granted, exercised and lapsed $	Value included in remuneration $	Fair value per option at grant date $	% vested during year	% forfeited during year
2008																
DIRECTORS																
Mr J S Norregaard	24 Nov 05	2,000,000	-	2,000,000	-	-	$0.20	30 Jun 08	161,820	-	-	161,820	-	0.081	100%	0%
Mr J S Norregaard	26 Nov 07	-	2,000,000	-	-	2,000,000	$0.10	25 Nov 09	102,467	-	-	102,467	102,467	0.051	0%	0%
Mr A E Czerw	03 Oct 05	250,000	-	250,000	-	-	$0.20	30 Jun 08	20,228	-	-	20,228	-	0.081	100%	0%
Mr A E Czerw	26 Nov 07	-	1,000,000	-	-	1,000,000	$0.10	25 Nov 09	51,234	-	-	51,234	51,234	0.051	0%	0%
EXECUTIVE OFFICERS																
Mr B E J Armstrong	10 Sep 07	-	500,000	-	-	500,000	$0.10	09 Sep 09	21,789	-	-	21,789	21,789	0.044	0%	0%
Mr G L Baldisseri	15 May 06	250,000	-	250,000	-	-	$0.20	15 May 08	19,544	-	-	19,544	-	0.078	0%	100%
Mr G L Baldisseri	10 Sep 07	-	1,000,000	1,000,000	-	-	$0.10	09 Sep 09	43,579	-	-	43,579	43,579	0.044	0%	100%
Mr D K Sutherland	03 Oct 05	100,000	-	100,000	-	-	$0.20	30 Jun 08	8,091	-	-	8,091	-	0.081	0%	100%
2007																
DIRECTORS																
Mr J S Norregaard	24 Nov 05	2,000,000	-	-	-	2,000,000	$0.20	30 Jun 08	161,820	-	-	161,820	-	0.081	0%	0%
Mr A E Czerw	03 Oct 05	250,000	-	-	-	250,000	$0.20	30 Jun 08	20,228	-	-	20,228	-	0.081	0%	0%
EXECUTIVE OFFICERS																
Mr G L Baldisseri	15 May 06	250,000	-	-	-	250,000	$0.20	15 May 08	19,544	-	-	19,544	-	0.078	0%	0%
Mr D G Jackson	03 Oct 05	100,000	-	100,000	-	-	$0.20	30 Jun 08	8,091	-	-	8,091	-	0.081	0%	100%
Mr D K Sutherland	03 Oct 05	100,000	-	-	-	100,000	$0.20	30 Jun 08	8,091	-	-	8,091	-	0.081	0%	0%
Mr G Phillips	21 Mar 06	200,000	-	200,000	-	-	$0.20	21 Mar 08	14,943	-	-	14,943	-	0.075	0%	100%
Mr S Krebs	08 May 06	200,000	-	200,000	-	-	$0.19	08 May 08	15,957	-	-	15,957	-	0.080	0%	100%

(a) The value of options granted in the year is the fair value of the options calculated at grant date using the Black and Scholes option pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period.

(b) The value of options exercised during the year is calculated as the market price of shares of the Company on the Australian Securities Exchange as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

(c) The value of the options that lapsed/forfeited during the year represents the benefit forgone and is calculated at the date the option lapsed using the Black and Scholes option pricing model with no adjustments for whether the performance criteria have or have not been achieved.

4. CORPORATE GOVERNANCE STATEMENT (CONTINUED)

4.4. RISK MANAGEMENT

Business risks

The board adopts practices designed to identify significant areas of business risks and to effectively manage those risks in accordance with the Company's risk profile. Where necessary, the board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risks.

The Company's main areas of risks, and its approach to managing these risks, are set out hereunder.

Mining, exploration and development

The Company's current major areas of focus are the Phillips River mining leases.

Ongoing expenditure is required to establish further ore resources in these areas through drilling and other exploration techniques.

The board meets regularly to establish the exploration program and monitor results.

Fluctuating prices

The Company's anticipated revenues will be subjected to fluctuating commodity prices. The Company has developed appropriate risk management programs to control the effect of volatility in the price of the commodities.

Interest rate risk exposure

The Company's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is as detailed in note 31 to the financial statements. Exposure mainly arises from assets and liabilities bearing variable interest rates.

Gold and foreign currency risk exposure

The Company has no exposure to gold and is therefore not subject to market movements in the gold price on any given day.

The Company's exposure to foreign currency risk is as detailed in note 31 to the financial statements.

Title to assets

The Company's ability to continue operation and exploration of its areas of interests is dependent upon it retaining title to the subject property. The board engages the services of an independent tenement manager to oversee this important function.

Financial reporting

The chief executive officer and the company secretary have declared in writing to the board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

Monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared regularly.

Environmental regulation

The Company holds various environmental licences and authorities to regulate its mining and exploration activities within Australia. These licences entail conditions and regulations which specify limits on discharges to the environment and rehabilitation of areas disturbed during the course of mining and exploration activities.

The Company is committed to a high standard of environmental performance and during the year has not received any fines or prosecutions under any environmental laws or regulations. The Company did not incur any significant reportable environmental incidents during the year. The directors are not aware of any significant breach of the Company's licence conditions and all mining and exploration activities comply with all relevant environmental regulations

The Company's mining operations based in Western Australia are regulated under the Mining Act 1978 and Environmental Protection Act 1986. The management of exploration is reviewed by environmental consultants as well as environmental and mining regulatory authorities.

4.5. ETHICAL STANDARDS

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment. The board reviews the Ethical Standards Manual regularly and processes are in place to promote and communicate these policies.

Conflict of interest

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the board believes that a significant conflict exists for a director on a board matter, the director concerned will not receive the relevant board papers and will not be present at the meeting whilst the item is considered. Details of director related entity transactions with the Company and the Group are set out in note 32 to the financial statements.

Code of conduct

The Group has advised each director, manager and employee that they must comply with the Ethical Standards Manual. The manual may be viewed on the Company's website, and it covers the following:

- Aligning the behaviour of the board and management with the code of conduct by maintaining appropriate core Company values and objectives
- Fulfilling responsibilities to shareholders by delivering shareholder value
- Usefulness of financial information by maintaining appropriate accounting policies, practices and disclosures
- Fulfilling responsibilities to clients, customers and consumers by maintaining high standards of product quality, service standards, commitments to fair value, and safety of goods produced
- Employment practices such as occupational health and safety, employment opportunity, community activities, sponsorships and donations

- Responsibilities to the individual, such as privacy, use of privileged or confidential information, and conflict resolution
- Compliance with legislation including policies on legal compliance in countries where the legal systems and protocols are significantly lower than Australia's
- Conflicts of interest
- Corporate opportunities such as preventing directors and key executives from taking advantage of property, information or position for personal gain
- Confidentiality of corporate information
- Fair dealing
- Protection and proper use of the Company's assets
- Compliance with laws
- Reporting of unethical behaviour.

Trading in general Company securities by directors and employees

The key elements of the Trading in General Company Securities by Directors and Employees Policy set out in the Ethical Standards Manual are:

- identification of those restricted from trading - directors and senior executives (all employees from branch manager upwards) may acquire shares in the Company, but are prohibited from dealing in Company shares or exercising options:
  - except between three and 30 days after either the release of the Company's half-year and annual results to the Australian Securities Exchange ('ASX'), the annual general meeting or any major announcement
  - whilst in possession of price sensitive information not yet released to the market
- to raise the awareness of legal prohibitions including transactions with colleagues and external advisers
- to require details to be provided of intended trading in the Company's shares
- to require details to be provided of the subsequent confirmation of the trade
- the identification of processes for unusual circumstances where discretions may be exercised in cases such as financial hardship.

The policy also details the insider trading provisions of the Corporations Act 2001 and is reproduced in full on the Company's website.

4.6. COMMUNICATION WITH SHAREHOLDERS

The board provides shareholders with information using a comprehensive Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website, and issuing media releases. More details of the policy are available on the Company's website.

In summary, the Continuous Disclosure Policy operates as follows:

- The chief executive officer and the company secretary are responsible for interpreting the Company's policy and where necessary informing the board. The company secretary is responsible for all communications with the ASX. Such matters are advised to the ASX as soon as practicable after discovery, and all senior executives must follow a 'Weekly Continuous Disclosure Discovery' process, which involves monitoring all areas of the Group's internal and external environment
- The report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document), including relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments. The full Annual Financial Report is available to all shareholders should they request it
- The half-yearly report contains summarised financial information and a review of the operations of the Group during the period. The half-year reviewed financial report is lodged with the Australian Securities and Investments Commission and the ASX, and sent to any shareholder who requests it
- Proposed major changes in the Group which may impact on share ownership rights are submitted to a vote of shareholders
- Information meetings are held in states around Australia on an as required basis to provide shareholders with information, and an opportunity to meet members of the board
- All announcements made to the market, and related information (including information provided to analysts or the media during briefings), are placed on the Company's website after they are released to the ASX
- The full texts of notices of meetings and associated explanatory material are placed on the Company's website
- The external auditor attends the Annual General Meetings to answer questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

All of the above information, including that of the previous three years, is made available on the Company's website within one day of public release, and is sent via e-mail to all shareholders who lodge their e-mail contact details with the Company. Information on lodging e-mail addresses with the Company is available on the Company's website.

The board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Group's strategy and goals. Important issues are presented to shareholders as single resolutions.

Shareholders are encouraged to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors, the remuneration report and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

Directors' Report (continued)

5. PRINCIPAL ACTIVITIES

Principal activities of the Company during the course of the financial year were the exploration for gold, silver and base metals; divestment of assets; and evaluation of merger and acquisition opportunities.

In 2008 the Company achieved the following significant milestones:

- Bolstered cash reserves by $3 million through a planned capital raising
- Disposed of surplus assets yielding a substantial financial return
- Embarked on an aggressive exploration and evaluation campaign aimed at strengthening the investment case for the Philips River project
- Completed initial feasibility study at Philips River with very positive results.

Objectives

The Company's objectives are to:

- Unlock the base metal potential of the Trilogy deposit
- Upgrade and expand the Kundip resource through exploration
- Advance the nickel sulphide potential of ultramafic exposures on the Phillips River tenements
- Evaluate the potential for other mineral occurrences on the Phillips River tenements
- Bring the exciting Philips River mineral field into production thereby re-establishing the Company as a significant mining producer.

In order to achieve these objectives the following targets have been set for the 2009 financial year:

- Carry out further exploration and evaluation activities at Kundip and Trilogy
- Complete bankable feasibility study for the Phillips River project with the Trilogy resources as the starting point for the operation.

6. OPERATING AND FINANCIAL REVIEW

Many positive outcomes have been achieved during the year. Specifically your Company:

- Completed $3 million capital raising securing Jabiru Metals Ltd and Lion Selection Group Ltd as cornerstone investors
- Succeeded in divesting Burnakura and Tuckabianna gold assets, yielding substantial cash surplus
- Maintained a strong balance sheet with $4 million in cash reserves and investments in both ATW Venture Corp Inc and Silver Lake Resources Ltd
- Strengthened the investment case for the Phillips River project with very positive results from the initial feasibility study
- Retained a core team of motivated professionals to ensure the Company can realise the full potential of its most valuable assets.

The Company can look to the future with a degree of optimism having dramatically improved its financial position.

7. EVENTS SUBSEQUENT TO REPORTING DATE

There have been no events subsequent to balance date which would have a material effect on the Group's financial statements at 30 June 2008.

8. DIRECTORS' INTERESTS

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Directors	Ordinary shares	Options over ordinary shares
Mr H J L Bohannan	1,268,000	-
Mr J S Norregaard	3,008,333	2,000,000
Mr G Totaro	1,033,333	-
Mr A E Czerw	336,700	1,000,000
Mr A R Martin	310,000	-

9. SHARE OPTIONS

During the financial year, the Company granted options for no consideration over unissued ordinary shares in the Company to the following directors and the following five most highly remunerated officers of the Company as part of their remuneration:

Name	Grant date	Granted during the financial year	Strike price	Expiry date
Directors				
Mr J S Norregaard	26 Nov 07	2,000,000	$0.10	25 Nov 09
Mr A E Czerw	26 Nov 07	1,000,000	$0.10	25 Nov 09
Executive officers				
Mr B E J Armstrong	10 Sep 07	500,000	$0.10	09 Sep 09
Mr G Baldisseri (a)	10 Sep 07	1,000,000	$0.10	09 Sep 09

(a) Mr G L Baldisseri resigned as Company Secretary on 12 February 2008

No options were granted since the end of the financial year.

10. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the year, the Company has, in accordance with normal practice, paid premiums in respect of a contract insuring directors and executives of the Company against any liability incurred in the conduct of the business of the Company. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability, and legal expenses related to insurance contracts, as such disclosure is prohibited under the terms of the contract.

The Company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings, with the exception that during the financial year the Company has paid premiums to insure each of the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

11. NON AUDIT SERVICES

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the board to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

	Consolidated	
	2008 $	2007 $
KPMG Australia		
Audit and review of financial reports	45,000	106,000
Other assurance services	700	3,500
	45,700	**109,500**

12. LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER S307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set out on page 22 and forms part of the directors' report for the financial year ended 30 June 2008.

This report is made with a resolution of the directors:

J S Norregaard

Director

Dated at Perth this eighteenth day of September 2008.

Lead Auditor's Independence Declaration

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Tectonic Resources NL

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

K Pmc

KPMG

B P Steedman
Partner

Perth
18 September 2008

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Balance Sheets

as at 30 June 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
CURRENT ASSETS					
Cash and cash equivalents	11	4,280,904	2,126,082	4,280,904	2,126,082
Trade and other receivables	12	70,468	1,076,476	70,338	1,076,283
Inventories	13	30,347	34,408	30,347	34,408
Investments	14	3,154,598	-	3,154,598	-
Other	15	52,702	212,166	52,702	212,166
Assets classified as held for sale	4	-	3,204,647	-	3,204,647
Total current assets		**7,589,019**	**6,653,779**	**7,588,889**	**6,653,586**
NON-CURRENT ASSETS					
Property, plant and equipment	19	4,675,111	4,787,040	4,543,166	4,655,094
Exploration, evaluation & development expenditure	20	15,184,785	13,173,038	15,184,785	13,173,038
Investments	14	-	-	152	152
Other	15	72,416	70,653	72,416	70,653
Total non-current assets		**19,932,312**	**18,030,731**	**19,800,519**	**17,898,937**
Total assets		**27,521,331**	**24,684,510**	**27,389,408**	**24,552,523**
CURRENT LIABILITIES					
Trade and other payables	21	536,062	885,605	536,062	1,195,279
Loans and borrowings	22	126,124	653,415	126,124	653,415
Provisions	24	93,226	627,625	93,226	627,625
Total current liabilities		**755,412**	**2,166,645**	**755,412**	**2,476,319**
NON-CURRENT LIABILITIES					
Loans and borrowings	22	581,885	111,282	581,885	111,282
Provisions	24	721,358	820,018	721,358	820,018
Payables	21	-	-	-	1,531,075
Total non-current liabilities		**1,303,243**	**931,300**	**1,303,243**	**2,462,375**
Total liabilities		**2,058,655**	**3,097,945**	**2,058,655**	**4,938,694**
Net assets		**25,462,676**	**21,586,565**	**25,330,753**	**19,613,829**
EQUITY					
Issued capital	25	42,734,493	39,734,493	42,734,493	39,734,493
Reserves	26	627,044	627,044	627,044	627,044
Accumulated losses	27	(17,898,861)	(18,774,972)	(18,030,784)	(20,747,708)
Total equity		**25,462,676**	**21,586,565**	**25,330,753**	**19,613,829**

The notes on pages 27 to 55 are an integral part of these consolidated financial statements.

Income Statements

For the year ended 30 June 2008

	Note	Consolidated		The Company	
		2008 $	2007 $	2008 $	2007 $
Revenue	5	238,893	18,162,872	238,893	18,162,872
Cost of sales	5	(502,390)	(16,483,258)	(502,390)	(16,483,202)
Gross (loss)/profit		**(263,497)**	**1,679,614**	**(263,497)**	**1,679,670**
Net gain on assets held for sale		3,501,725	-	3,501,725	-
Impairment loss on assets held for sale		-	(6,542,182)	-	(6,542,182)
Results from discontinued operations before tax		**3,238,228**	**(4,862,568)**	**3,238,228**	**(4,862,512)**
Income tax (expense)/benefit	9	-	-	-	198,512
Profit/(Loss) from discontinued operations		**3,238,228**	**(4,862,568)**	**3,238,228**	**(4,664,000)**
Other income	5	1,156,425	4,234,067	2,997,174	4,234,067
Other expenses	5	(2,769,598)	(4,531,841)	(2,769,534)	(4,531,841)
Net change in fair value of financial assets		(1,161,176)	-	(1,161,176)	-
Net finance income/(expense)	8	193,163	(325,224)	193,163	(325,224)
Results from continuing operations before tax		**(2,581,186)**	**(622,998)**	**(740,373)**	**(622,998)**
Income tax (expense)/benefit		-	-	-	-
Profit/(Loss) from continuing operations		**(2,581,186)**	**(622,998)**	**(740,373)**	**(622,998)**
Profit/(Loss) for the year		**657,042**	**(5,485,566)**	**2,497,855**	**(5,286,998)**
Earnings/(Loss) per share:					
Basic earnings/(loss) per share – cents	10	0.2699	(2.5810)		
Diluted earnings/(loss) per share – cents	10	0.2699	(2.5810)		
Earnings/(Loss) per share from continuing operations:					
Basic earnings/(loss) per share – cents	10	(1.0601)	(0.2931)		
Diluted earnings/(loss) per share – cents	10	(1.0601)	(0.2931)		

The notes on pages 27 to 55 are an integral part of these consolidated financial statements.

Statement of Cash Flows

For the year ended 30 June 2008

		Consolidated		The Company	
	Note	2008 $	2007 $	2008 $	2007 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		1,714,490	21,902,667	1,714,427	21,902,856
Cash paid to suppliers and employees		(3,033,844)	(22,108,337)	(3,033,781)	(22,108,281)
Cash generated from operations		(1,319,354)	(205,670)	(1,319,354)	(205,425)
Interest received		208,769	95,938	208,769	95,938
Borrowing costs paid		(1,542)	(420,427)	(1,542)	(420,427)
Net cash from operating activities	29	**(1,112,127)**	**(530,159)**	**(1,112,127)**	**(529,914)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investment		1,935,000	5,986	1,935,000	5 ,986
Proceeds from disposal of non-current assets		1,146,918	4,229,710	1,146,918	4,229,710
Proceeds from farm-in agreement		-	700,000	-	700,000
Repayment of bonds		834,500	-	834,500	-
Payments for bonds		(836,263)	(41,122)	(836,263)	(41,122)
Payments for property, plant and equipment		(94,535)	(1,308,802)	(94,535)	(1,308,802)
Payments for exploration, evaluation and development expenditure	20	(2,004,613)	(740,090)	(2,004,613)	(739,990)
Net cash from investing activities		**981,007**	**2,845,682**	**981,007**	**2,845,782**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from capital raising	25	3,000,000	2,300,950	3,000,000	2,300,950
Proceeds from controlled entities		-	-	-	(345)
Proceeds from hire purchase liability		-	633,140	-	633,140
Proceeds from shareholders loan		-	(1,200,000)	-	(1,200,000)
Repayment of shareholders loan		-	1,200,000	-	1,200,000
Repayment of hire purchase liability		(714,058)	(2,559,216)	(714,058)	(2,559,216)
Repayment of bank loan		-	(1,086,422)	-	(1,086,422)
Net cash from financing activities		**2,285,942**	**(711,548)**	**2,285,942**	**(711,893)**
Net increase in cash and cash equivalents		2,154,822	1,603,975	2,154,822	1,603,975
Cash and cash equivalents 1 July		2,126,082	522,107	2,126,082	522,107
Cash and cash equivalents at 30 June	11	**4,280,904**	**2,126,082**	**4,280,904**	**2,126,082**

The notes on pages 27 to 55 are an integral part of these consolidated financial statements.

Statement of Changes in Equity

As at 30 June 2008

	Note	Share capital $	Reserves $	Accumulated losses $	Total equity $
RECONCILIATION OF MOVEMENTS IN CAPITAL AND RESERVES					
CONSOLIDATED					
Balance as at 1 July 2007		39,734,493	627,044	(18,774,972)	21,586,565
Profit for the year		-	-	657,042	657,042
Options issued as part of remuneration		-	-	219,069	219,069
Shares issued		3,000,000	-	-	3,000,000
Balance as at 30 June 2008	25	42,734,493	627,044	(17,898,861)	25,462,676
Balance as at 1 July 2006		37,349,543	-	(13,289,406)	24,060,137
Loss for the year		-	-	(5,485,566)	(5,485,566)
Asset revaluation reserve		-	627,044	-	627,044
Shares issued		2,384,950	-	-	2,384,950
Balance as at 30 June 2007		39,734,493	627,044	(18,774,972)	21,586,565
THE COMPANY					
Balance as at 1 July 2007		39,734,493	627,044	(20,747,708)	19,613,829
Profit for the year		-	-	2,497,855	2,497,855
Options issued as part of remuneration		-	-	219,069	219,069
Shares issued		3,000,000	-	-	3,000,000
Balance as at 30 June 2008	25	42,734,493	627,044	(18,030,784)	25,330,753
Balance as at 1 July 2006		37,349,543	-	(15,460,710)	21,888,833
Loss for the year		-	-	(5,286,998)	(5,286,998)
Asset revaluation reserve		-	627,044	-	627,044
Shares issued		2,384,950	-	-	2,384,950
Balance as at 30 June 2007		39,734,493	627,044	(20,747,708)	19,613,829

The notes on pages 27 to 55 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

1. REPORTING ENTITY

Tectonic Resources NL (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 21 Teddington Road, Burswood, WA. The consolidated financial statements of the Company as at and for the year ended 30 June 2008 comprise the Company, its subsidiaries and the Company's interest in jointly controlled entities (together referred to as the 'Group'). The Group is a Western Australian-based resources company which has one main development project and an advanced exploration project.

2. SIGNIFICANT ACCOUNTING POLICIES

(A) STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial reports of the Group and the Company also complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the directors on 18 September 2008.

(B) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis except for the following assets and liabilities that are stated at their fair values: derivative financial instruments and financial instruments classified as available-for-sale or held for sale.

(C) FINANCIAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the other companies within the Group.

(D) USE OF ESTIMATES AND JUDGEMENTS

The preparation of a financial report in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Group.

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.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report.

(E) FINANCIAL POSITION

The Group realised a profit of $657,042 (30 June 2007: loss $5,485,566). The profit was mainly attributable to the divestment of assets held for sale, being the Burnakura Joint Venture.

The Burnakura operations was a joint venture with Burnakura Pty Ltd (a subsidiary of Extract Resources Ltd) and the Company. The disposal of the joint venture assets was successfully completed during the year. The profit realised in this financial year relates to the profit on disposal of joint venture assets which were classified as non-current assets held for sale at the end of the previous financial year.

The strategy of the Group over the forthcoming 12 months is to sell a number of surplus items of plant and equipment and embark on a capital raising for further mining exploration and evaluation works at the Phillips River project.

The directors believe it is appropriate to prepare these accounts on a going concern basis because:

(i) the directors have an appropriate plan to raise additional funds as and when it is required. This will be achieved either through the sale of surplus assets, or raising additional capital.

(ii) the directors have an appropriate plan to curtail certain operating and exploration expenditure if appropriate funding is unavailable.

(F) BASIS OF CONSOLIDATION

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(iii) Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement.

The interest of the Group in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls and the liabilities that it incurs, and the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated to the functional currencies of group entities at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to functional currency at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to functional currency at foreign exchange rates ruling at the dates the fair value was determined.

(H) PROPERTY, PLANT AND EQUIPMENT

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are recognised in profit or loss as incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within 'other income' in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Mine properties

Mine property assets include costs transferred from exploration and evaluation assets once technical, feasibility and commercial viability of an area of interest is demonstrable and subsequent costs to develop the mine to the production phase.

When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the cost of that mine property only when substantial future economic benefits are established, otherwise such expenditure is classified as part of the cost of production.

(iii) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. An asset acquired by way of a finance lease is stated at amounts equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease less any accumulated amortisation and impairment losses. Lease payments are accounted for as described in accounting policy (U).

(iv) Depreciation

With the exception of mine property assets, depreciation or amortisation is charged to the income statement over the lower of their estimated useful lives and the estimated remaining life of the mine. Mine property assets are amortised over the estimated remaining life of the mine. The estimated remaining life of the mine is based upon geological ore reserves and resources. Assets not linked to the mining operation are depreciated over their estimated useful lives using the straight line method.

The estimated useful lives in the current and comparative periods are as follows:

	2008	2007
Buildings	-	5 years
Plant and equipment	2-20 years	2-20 years

Assets are depreciated or amortised from the date of acquisition or from the time an asset is completed and held ready for use.

If the estimated remaining economic life of the mine, based on economically recoverable resources, is less than the depreciation period for an asset group then the depreciation period is limited to the estimated remaining economic life of the mine.

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

Depreciation is not charged on land.

(v) Deferred stripping costs

Mining costs associated with the removal of waste rock are referred to as 'deferred stripping' costs and are capitalised to the Balance Sheet using a life of mine waste-to-ore strip ratio. Costs of mining waste rock, in excess of the life of mine waste-to-ore strip ratio, are accumulated and classified as property, plant and equipment. The deferred stripping accounting method is generally accepted in the mining industry where mining operations have diverse ore grades and waste-to-ore strip ratios over the mine life. Deferred stripping matches the costs of production with extraction of ore.

(I) EXPLORATION AND EVALUATION

Exploration and evaluation costs are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or

(ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if:

(i) sufficient data exists to determine technical feasibility and commercial viability; and,

(ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see accounting policy (N)).

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mine property assets within property, plant and equipment

In the event that an area of interest is abandoned or if the directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off in the period in which that assessment is made. Each area of interest is reviewed at the end of each accounting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

(J) RECEIVABLES

(i) Goods sold

Trade and other receivables are stated at amortised cost. Receivables are usually settled within no more than 30 days.

Receivables are reviewed on an ongoing basis. An impairment loss is recognised for debts which are known to be uncollectible. An impairment provision is raised for any doubtful accounts (see accounting policy (N)).

(ii) Sale of non-current assets

The net gain or loss on the sale of non-current assets is included as revenue or expense at the date control of the assets passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

(K) INVENTORIES

Inventories are measured at the lower of cost and net realisable value.

The cost of mining inventories is determined using a weighted average basis. Cost includes direct material, direct labour, other direct variable costs and allocated production overheads necessary to bring inventories to their present location and condition based on normal operating capacity of the production facilities. The cost of inventories may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventory.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(L) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances.

(M) EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(N) IMPAIRMENT

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Notes to the Financial Statements (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(N) IMPAIRMENT (CONTINUED)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than exploration and evaluation, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets are grouped together into smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash generating unit').

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(O) NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(P) INTEREST-BEARING BORROWINGS

The financial assets and financial liabilities included in non-current assets and non-current liabilities approximate net fair values. Fair value is calculated based on discounted expected future principal and interest cash flows, net of costs.

(Q) EMPLOYEE BENEFITS

(i) Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within twelve months of the reporting date represent present obligations resulting from employee's services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(ii) Share-based payments

Employee options are, from time to time, granted to executives and employees. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black and Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

(iii) Defined contribution plans

A defined contribution plan is a post-employment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iv) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(R) PROVISIONS

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Restoration and rehabilitation

Mine restoration and rehabilitation costs are provided for at the present value of future expected expenditures required to settle the Group's obligations on commencement of commercial production, discounted using a rate specified to the liability. When this provision is recognised a corresponding asset is also recognised as part of the development costs of the mine to the extent that it is considered that the provision gives access to future economic benefits. The capitalised cost of this asset is amortised over the life of the mine. On an ongoing basis, the rehabilitation liability is remeasured at each reporting period in line with the changes in the time value of money (recognised as a finance expense in the income statement and an increase in the provision), changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation liability.

Provision for restoration and rehabilitation includes the following costs: reclamation, waste stabilisation, site closure and monitoring activities. These costs have been determined based on future expected costs, current legal requirements and current technology. The provisions referred to above do not include any amounts related to remediation costs associated with unforeseen circumstances.

(S) TRADE AND OTHER PAYABLES

Liabilities are recognised for amounts to be paid in the future for goods and services provided to the Group prior to the end of the reporting period and are stated at amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition.

(T) REVENUE RECOGNITION

(i) Goods sold

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Gold sales revenue is recognised when control of the gold passes to the refinery. Nickel sales revenue is recognised when passed to the purchaser. Revenue is determined at the spot price.

Revenues are recognised at fair value of the consideration received net of the amount of GST. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revaluations. The following specific recognition criteria must also be met before revenue is recognised:

(ii) Interest

Interest income is recognised as it accrues using the effective interest method.

(U) LEASE PAYMENTS

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

Minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(V) FINANCE INCOME AND EXPENSES

Finance income comprises interest income on funds invested, dividend income, and foreign currency gains that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses and impairment losses recognised on financial assets that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(W) TAXES

(i) Income taxes

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the Financial Statements (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(W) TAXES (CONTINUED)

(ii) Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Tectonic Resources NL.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(iii) Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivable/(payable) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement 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.

(iv) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

(X) SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

(Y) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management discussed with the board of directors the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Mine rehabilitation provision

The Group assesses its mine rehabilitation provision half-yearly in accordance with the accounting policy (R). Significant judgement is required in determining the provision for mine rehabilitation as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate the mine site. Factors that will affect this liability includes future development, changes in technology, price increases and changes in interest rates. When these factors change or become known in the future, such differences will impact the mine rehabilitation provision in the period in which they change or become known.

(Z) FINANCIAL INSTRUMENTS

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in accounting policy (V).

AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 2(N)), and foreign exchange gains and losses on available-for-sale monetary items (see note 2(G)), are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

OTHER

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Derivative financial instruments

The Group does not use derivatives to hedge its foreign currency and interest rate risk exposures and is exposed to changes in foreign exchange rates and commodity prices from its activities. As at the end of the financial year the Group does not use gold derivatives or hedging and it does not hold or deal in financial instruments for speculative purposes.

Derivatives not used for hedging are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for immediately in profit or loss.

(iii) Share capital

ORDINARY SHARES

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

DIVIDENDS

Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

(AA) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report:

- Revised AASB 3 Business Combinations changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- AASB 8 Operating Segments introduces the 'management approach' to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal report regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business segments (see note 3). AASB 8 is not expected to have any impact on the financial report.

Notes to the Financial Statements (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(AA) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONTINUED)

- Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly 'primary' statement) the 'statement of comprehensive income'. The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.
- Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The Group has not yet determined the potential effect of the revised standard on future earnings.
- Revised AASB 127 Consolidated and Separate Financial Statements changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increase in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.
- AI 12 Service Concession Arrangements provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. AI 12, which becomes mandatory for the Group's 30 June 2009 financial statements, is not expected to have any effect on the financial report.

3. SEGMENT REPORTING

The Company operates in one segment, being the mining and mineral exploration industry in Western Australia.

4. ASSETS HELD FOR SALE

During the year the Company sold its interest in the Burnakura Joint Venture. The carrying value of the asset held for sale was $3,000,000 and net liabilities were $507,498 as at 30 June 2007. The consideration received was $5,615,774, resulting in a gain on disposal of the Company's investment of $3,123,272.

During the year the Company sold its 50% interest in the Tuckabianna tenements. The carrying value of the Tuckabianna tenements as at 30 June 2007 was $204,647. The consideration received was $600,000. The sale resulted in a profit on sale of assets held for sale of $395,353.

Sale of minor plant and equipment held for sale during the year contributed to a loss of $16,900.

		Consolidated		The Company	
	Note	2008 $	2007 $	2008 $	2007 $
Assets held for sale - fair value		-	3,204,647	-	3,204,647

	Note	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
5. RESULTS FROM OPERATING ACTIVITIES					
REVENUE					
Nickel		92,485	1,875,027	92,485	1,875,027
Gold		-	8,872,513	-	8,872,513
Mine services		146,408	7,415,332	146,408	7,415,332
Total revenue from operations		**238,893**	**18,162,872**	**238,893**	**18,162,872**
COST OF SALES					
Cost of production equipment and consumables		(336,850)	(5,445,478)	(336,850)	(5,445,423)
Movement in inventories		-	(777,925)	-	(777,925)
Subcontractors		(20,798)	(168,608)	(20,798)	(168,607)
Employee expenses	6	(129,387)	(9,813,799)	(129,387)	(9,813,799)
Royalty expenses		(15,355)	(277,448)	(15,355)	(277,448)
Total cost of sales		**(502,390)**	**(16,483,258)**	**(502,390)**	**(16,483,202)**
OTHER INCOME					
Net gain on sale of propery, plant and equipment		730,480	2 ,077,907	730,480	2 ,077,907
Rental income from property sub leases		37,771	484,402	37,771	484,402
Insurance claim		85,142	720,724	85,142	720,724
Debts forgiven		202	-	1,840,951	-
Sundry income		302,830	951,034	302,830	951,034
Total other income		**1,156,425**	**4,234,067**	**2,997,174**	**4,234,067**
OTHER EXPENSES					
Depreciation		(421,628)	(2,657,456)	(421,628)	(2,657,456)
Employee expenses	6	(1,436,833)	-	(1,436,833)	-
Other expenses from ordinary activities		(911,137)	(1,874,385)	(911,073)	(1,874,385)
Total other expenses		**(2,769,598)**	**(4,531,841)**	**(2,769,534)**	**(4,531,841)**
6. EMPLOYEE EXPENSES					
Wages and salaries		1,041,157	9,098,542	1,041,157	9,098,542
Equity settled transactions		219,069	-	219,069	-
Termination benefits		55,899	-	55,899	-
Other associated employment expenses		250,095	715,257	250,095	715,257
Total employee expenses		**1,566,220**	**9,813,799**	**1,566,220**	**9,813,799**
7. AUDITORS' REMUNERATION					
KPMG AUSTRALIA					
Audit and review of financial reports		45,000	106,000	45,000	106,000
Other assurance services		700	3,500	700	3,500
		45,700	**109,500**	**45,700**	**109,500**

Notes to the Financial Statements (continued)

	Note	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
8. NET FINANCING COSTS					
FINANCIAL INCOME					
Interest income		252,615	95,938	252,615	95,938
BORROWING COSTS					
Interest on hire purchase and loans		(37,330)	(420,427)	(37,330)	(420,427)
Other charges		(1,542)	-	(1,542)	-
Total borrowing costs		(38,872)	(420,427)	(38,872)	(420,427)
OTHER COSTS					
Foreign currency losses		(20,580)	(735)	(20,580)	(735)
Net finance income/(expense)		**193,163**	**(325,224)**	**193,163**	**(325,224)**
9. INCOME TAX EXPENSE					
RECOGNISED IN THE INCOME STATEMENTS					
Current tax expense					
Current year		-	-	-	-
Adjustments for prior years		(31,843)	-	(31,843)	-
		(31,843)	-	(31,843)	-
Deferred tax expense					
Origination and reversal of temporary differences - current year		544,132	(1,013,217)	544,132	(1,013,217)
Origination and reversal of temporary differences - prior years		(86,848)	-	(86,848)	-
Expense on derecognition of tax loss		-	1,013,217	-	814,705
Benefit of tax losses recognised		(425,441)	-	(425,441)	-
		31,843	-	31,843	(198,512)
Total income tax expense in Income Statements		**-**	**-**	**-**	**(198,512)**
Attributable to:					
Continuing operations		-	-	-	-
Discontinued operations		-	-	-	(198,512)
		-	**-**	**-**	**(198,512)**
Numerical reconciliation between tax expense and pre-tax net profit					
Profit/(loss) before tax - continuing operations		(2,581,186)	(622,998)	(740,373)	(622,998)
Profit/(loss) before tax - discontinued operations		3,238,228	(4,862,568)	3,238,228	(4,862,512)
Profit/(loss) before tax		657,042	(5,485,566)	2,497,855	(5,485,510)
Income tax using the domestic corporation tax rate of 30%		197,113	(1,645,670)	749,356	(1,645,653)
Increase/(Decrease) in income tax expense due to:					
Non-deductible expenses		779	2,646	779	2,646
Write-down of capital assets		348,353	-	348,353	-
Intra-group debt forgiven		-	-	(552,225)	-
Effect of tax losses (utilised)/not recognised		(425,441)	1,643,813	(425,441)	1,842,308
Adjustments for prior years		(118,691)	-	(118,691)	-
Other		(2,113)	-	(2,131)	-
		-	**789**	**-**	**199,301**

	Note	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $

10. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings/(loss) per share at 30 June 2008 was based on profit attributable to ordinary shareholders of $657,042 (2007: loss $5,485,566) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2008 of 243,482,752 (2007: 212,532,813) calculated as follows:

	Note	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Weighted average number of ordinary shares					
Balance as at 1 July		219,126,781	200,427,167		
Share issue on 5 July 2006		-	7,615,235		
Share issue on 4 December 2006		-	572,603		
Share issue on 8 February 2007		-	3,917,808		
Share issue on 6 December 2007		24,355,971	-		
Weighted average number of ordinary shares 30 June		**243,482,752**	**212,532,813**		
Profit/(loss) attributable to ordinary shareholders		**657,042**	**(5,485,566)**		
Earnings/(Loss) per share:					
Basic earnings/(loss) per share – cents		0.2699	(2.5810)		
Diluted earnings/(loss) per share – cents		0.2699	(2.5810)		
Profit/(Loss) from continuing operations		**(2,581,186)**	**(622,998)**		
Earnings/(Loss) per share from continuing operations:					
Basic earnings/(loss) per share – cents		(1.0601)	(0.2931)		
Diluted earnings/(loss) per share – cents		(1.0601)	(0.2931)		

11. CASH AND CASH EQUIVALENTS

	Note	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Cash and cash equivalents		4,280,904	2,126,082	4,280,904	2,126,082

12. TRADE AND OTHER RECEIVABLES

	Note	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
CURRENT					
Trade debtors		1,496	1,076,476	1,366	1,076,283
Interest receivable		43,846	-	43,846	-
Other receivables		25,126	-	25,126	-
		70,468	1,076,476	70,338	1,076,283
NON-CURRENT					
Loans to controlled entities		-	-	-	1,974,227
Provision for doubtful debts		-	-	-	(1,974,227)
		-	-	-	-

13. INVENTORIES

	Note	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Consumables at cost		30,347	34,408	30,347	34,408

Notes to the Financial Statements (continued)

	Note	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
14. INVESTMENTS					
CURRENT					
Financial assets held for trading		2,299,992	-	2,299,992	-
Warrants - at fair value		854,606	-	854,606	-
		3,154,598	-	3,154,598	-
NON-CURRENT					
Shares in controlled entities at cost	17	-	-	1,198,552	1,198,552
Provision for diminution in value of investment		-	-	(1,198,400)	(1,198,400)
		-	-	152	152
15. OTHER					
CURRENT					
Prepayments		52,702	212,166	52,702	212,166
NON-CURRENT					
Bonds		72,416	70,653	72,416	70,653

	Assets 2008 $	Assets 2007 $	Liabilities 2008 $	Liabilities 2007 $	Net 2008 $	Net 2007 $
16. DEFERRED TAX ASSETS AND LIABILITIES						
RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES						
Deferred tax assets and liabilities are attributable to the following:						
Consolidated						
Property, plant and equipment	2,361,664	2,422,775	-	-	2,361,664	2,422,775
Exploration	-	-	(4,433,606)	(4,815,937)	(4,433,606)	(4,815,937)
Inventories	-	-	(17,669)	(16,506)	(17,669)	(16,506)
Employee benefits	36,291	74,059	-	-	36,291	74,059
Provisions	225,407	225,632	-	-	225,407	225,632
Tax value of loss carry-forwards	1,796,509	2,109,977	-	-	1,796,509	2,109,977
Other	31,404	-	-	-	31,404	-
Tax (assets)/liabilities	4,451,275	4,832,443	(4,451,275)	(4,832,443)	-	-
The Company						
Property, plant and equipment	2,361,664	2,422,775	-	-	2,361,664	2,422,775
Exploration	-	-	(4,433,606)	(4,815,937)	(4,433,606)	(4,815,937)
Inventories	-	-	(17,669)	(16,506)	(17,669)	(16,506)
Employee benefits	36,291	74,059	-	-	36,291	74,059
Provisions	225,407	225,632	-	-	225,407	225,632
Tax value of loss carry-forwards	1,796,509	2,109,977	-	-	1,796,509	2,109,977
Other	31,404	-	-	-	31,404	-
Tax (assets)/liabilities	4,451,275	4,832,443	(4,451,275)	(4,832,443)	-	-

UNRECOGNISED DEFERRED TAX ASSETS

A deferred tax asset of $1,840,123 (2007: $2,265,564) in relation to the tax value of losses carried forward has not been recognised.

MOVEMENT IN TEMPORARY DIFFERENCES DURING THE YEAR

	Consolidated				The Company			
	Balance 1 July $	Recognised in income $	Recognised in equity/other $	Balance 30 June $	Balance 1 July $	Recognised in income $	Recognised in equity/other $	Balance 30 June $
2008								
Property, plant and equipment	2,422,775	(61,111)	-	2,361,664	2,422,775	(61,111)	-	2,361,664
Exploration	(4,815,937)	382,331	-	(4,433,606)	(4,815,937)	382,331	-	(4,433,606)
Inventories	(16,506)	(1,163)	-	(17,669)	(16,506)	(1,163)	-	(17,669)
Employee benefits	74,059	(37,768)	-	36,291	74,059	(37,768)	-	36,291
Provisions	225,632	(225)	-	225,407	225,632	(225)	-	225,407
Tax value of loss carry-forwards	2,109,977	(313,468)	-	1,796,509	2,109,977	(313,468)	-	1,796,509
Other	-	31,404	-	31,404	-	31,404	-	31,404
	-	-	-	-	-	-	-	-
2007								
Property, plant and equipment	393,158	2,029,617	-	2,422,775	194,675	2,228,100	-	2,422,775
Exploration	(3,484,054)	(1,331,883)	-	(4,815,937)	(3,484,083)	(1,331,854)	-	(4,815,937)
Inventories	(76,302)	59,796	-	(16,506)	(76,302)	59,796	-	(16,506)
Employee benefits	160,195	(86,136)	-	74,059	160,195	(86,136)	-	74,059
Provisions	380,983	(155,351)	-	225,632	380,983	(155,351)	-	225,632
Tax value of loss carry-forwards	2,626,020	(516,043)	-	2,109,977	2,626,020	(516,043)	-	2,109,977
	-	-	-	-	(198,512)	198,512	-	-

17. CONTROLLED ENTITIES

	Class of Share	Equity Interest 30 Jun 08	Equity Interest 30 Jun 07
PARENT ENTITY:			
Tectonic Resources NL			
CONTROLLED ENTITIES:			
Tectonic Systems Pty Ltd	Ordinary	100%	100%
Tectonic Management Pty Ltd	Ordinary	100%	100%

Both controlled entities are incorporated in Australia.

Notes to the Financial Statements (continued)

	Percentage Interest	
	30 Jun 08	30 Jun 07
18. INTERESTS IN JOINT VENTURES		
Burnakura Joint Venture (Production) [(a)]	0%	50%
Burnakura Joint Venture (Exploration) [(a)]	0%	30%
Mincor Resources Farm-in and Joint Venture [(b)]	(earning)	(earning)

(a) The divestment of the Company's interest in Burnakura Joint Venture was completed during the year.

(b) During the previous financial year the Company entered into an agreement with Mincor Resources NL ("Mincor") whereby Mincor agreed to pay $700,000 to the Company and subscribe for 10 million shares in the Company at a price of 13 cents per share. Mincor is required to fund $5 million in exploration over 3 years to earn an 80% interest in the tenement M54/13 at RAV8.

	Note	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
19. PROPERTY, PLANT AND EQUIPMENT					
Plant and equipment at cost		12,944,873	14,088,052	11,307,236	12,569,402
Less: accumulated depreciation		(9,779,762)	(10,811,012)	(8,274,070)	(9,424,308)
		3,165,111	3,277,040	3,033,166	3,145,094
Freehold land	(a), (b)	1,510,000	1,510,000	1,510,000	1,510,000
Total property, plant and equipment		4,675,111	4,787,040	4,543,166	4,655,094

(a) An independent valuation of farming property at Hopetoun was carried out on 24 October 2006 by Grant Solomon DIP AG, DIP VAL, FAPI of Albany Valuation Services, Licensed Valuer, on the basis of the open market value of the property concerned in its existing use. The property was valued at $1,400,000.

(b) An independent valuation of farming property at Ravensthorpe was carried out on 10 November 2004 by James Topp, B.Com(Prop) AAPI of Esperance Land Valuers, Licensed Valuer, on the basis of the fair market value of the property concerned in its existing use.
The property was valued at $110,000.

These valuations are in accordance with the Company's policy of obtaining an independent valuation of land and buildings every three years. During the year no valuation was carried out on the farming property at Ravensthorpe as there was no indication of a significant change in its fair value.

Reconciliations for the carrying amount for each class of property, plant and equipment are set out below:

	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
PLANT AND EQUIPMENT				
Carrying amount at beginning of year	3,277,040	10,509,239	3,145,094	10,377,293
Additions	714,575	1,308,802	714,575	1,308,802
Disposals	(309,640)	(1,462,166)	(309,639)	(1,462,166)
Depreciation	(428,762)	(2,657,456)	(428,762)	(2,657,456)
Transfer to assets held for sale	-	(2,308,814)	-	(2,308,814)
Write down to recoverable amount	(88,102)	(2,112,565)	(88,102)	(2,112,565)
Carrying amount at end of year	3,165,111	3,277,040	3,033,166	3,145,094
FREEHOLD LAND				
Carrying amount at beginning of year	1,510,000	1,080,595	1,510,000	1,080,595
Disposals	-	(197,639)	-	(197,639)
Revaluation	-	627,044	-	627,044
Carrying amount at end of year	1,510,000	1,510,000	1,510,000	1,510,000
BUILDINGS				
Carrying amount at beginning of year	-	491,998	-	491,998
Disposals	-	(491,998)	-	(491,998)
Carrying amount at end of year	-	-	-	-
	4,675,111	4,787,040	4,543,166	4,655,094

	Note	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $

20. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

Costs carried forward in respect of areas of interest in:					
Exploration and/or Evaluation phase – at cost		15,118,076	13,106,329	15,118,076	13,106,329
		15,118,076	13,106,329	15,118,076	13,106,329
Production phase – at cost		25,922,805	25,922,805	25,922,805	25,922,805
Write down to recoverable amount		(4,671,178)	(4,671,178)	(4,671,178)	(4,671,178)
Less: accumulated amortisation		(21,184,918)	(21,184,918)	(21,184,918)	(21,184,918)
Production phase – at net book value		66,709	66,709	66,709	66,709
		15,184,785	13,173,038	15,184,785	13,173,038
Reconciliations for the carrying amount for exploration and evaluation are set out below:					
EXPLORATION AND/OR EVALUATION PHASE - AT COST					
Carrying amount at beginning of year		13,106,329	15,281,774	13,106,329	15,276,988
Additions		2,004,613	677,039	2,004,613	681,825
Depreciation		7,134	-	7,134	-
Transfers to assets held for sale		-	(895,833)	-	(895,833)
Transfer to production		-	(1,956,651)	-	(1,956,651)
Carrying amount at end of year		15,118,076	13,106,329	15,118,076	13,106,329
PRODUCTION PHASE - AT COST					
Carrying amount at beginning of year		66,709	2,476,624	66,709	2,481,510
Additions		-	63,051	-	58,165
Transfer from exploration		-	1,956,651	-	1,956,651
Write down to recoverable amount		-	(4,429,617)	-	(4,429,617)
Carrying amount at end of year		66,709	66,709	66,709	66,709
		15,184,785	13,173,038	15,184,785	13,173,038

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

21. TRADE AND OTHER PAYABLES

CURRENT					
Trade creditors		509,556	778,661	509,556	778,661
Other creditors and accruals		26,506	106,944	26,506	106,944
Accrued tax sharing agreement		-	-	-	309,674
		536,062	885,605	536,062	1,195,279
NON-CURRENT					
Loans from controlled entities		-	-	-	1,531,075

	Note	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
22. INTEREST-BEARING LOANS AND BORROWINGS					
This note provides information about the contractual terms of the Group's interest bearing loans and borrowings. For information about the Group's exposure to interest rates and foreign currency risk see note 31.					
CURRENT					
Hire purchase liabilities		126,124	653,415	126,124	653,415
NON-CURRENT					
Hire purchase liabilities		581,885	111,282	581,885	111,282
Hire purchase liabilities are secured against the items of plant and equipment purchased.					
23. EMPLOYEE BENEFITS					
CURRENT					
Liability for annual leave	24	93,226	183,125	93,226	183,125

SHARE BASED PAYMENTS

All options refer to options over ordinary shares of Tectonic Resources NL, which are exercisable on a one-for-one basis under the Employee Option Share Plan. The options are exercisable at any time between the issue date and the expiry date.

During the year, the following options were issued to the following employees:

Name	Grant date	Granted during the financial year	Strike price	Fair value at grant date	Share price at grant date	Volatility %	Option life	Risk free rate %
Directors								
Mr J S Norregaard	26 Nov 07	2,000,000	$0.10	$0.051	$0.095	100%	2 years	6.50%
Mr A E Czerw	26 Nov 07	1,000,000	$0.10	$0.051	$0.095	100%	2 years	6.50%
Executive officers								
Mr B E J Armstrong	10 Sep 07	500,000	$0.10	$0.044	$0.085	100%	2 years	6.50%
Mr G L Baldisseri [a]	10 Sep 07	1,000,000	$0.10	$0.044	$0.085	100%	2 years	6.50%

(a) Mr G L Baldisseri resigned as Company Secretary on 12 February 2008

Employee expenses relating to share based payments are disclosed in note 32.

	Note	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
24. PROVISIONS					
CURRENT					
Employee entitlements	23	93,226	183,125	93,226	183,125
Rehabilitation and refurbishment		-	444,500	-	444,500
		93,226	627,625	93,226	627,625
NON-CURRENT					
Rehabilitation and refurbishment		721,358	820,018	721,358	820,018

In accordance with State Government legislative requirements, a provision for mine rehabilitation has been recognised in relation to the Group's nickel and gold mining operations. The basis for accounting is set out in accounting policy (R). Because of the long-term nature of rehabilitation obligations and the uncertainly in estimating the provision the Company takes the view these obligations will not be incurred with the next 12 months.

Accordingly, the rehabilitation obligations are reclassified as non current obligation.

	Note	2008 $
MOVEMENT IN REHABILITATION PROVISION		
Carrying amount at beginning of year		1,264,518
Provisions disposed during the year		(543,160)
Rehabilitation work carried out		-
Carrying amount at end of year		721,358

Notes to the Financial Statements (continued)

	The Company			
	2008		2007	
	Number	$	Number	$
25. CAPITAL AND RESERVES				
Issued and paid up capital	**261,983,923**	**42,734,493**	**219,126,781**	**39,734,493**
Movements in ordinary share capital:				
On issue at beginning of the financial year	219,126,781	39,734,493	200,427,167	37,349,543
Share issue on 5 July 2006	-	-	7,699,614	1,000,950
Share issue on 4 December 2006	-	-	1,000,000	84,000
Share issue on 8 February 2007	-	-	10,000,000	1,300,000
Share issue on 6 December 2007	42,857,142	3,000,000	-	-
On issue at end of the financial year	261,983,923	42,734,493	219,126,781	39,734,493

	The Company			
	2008		2007	
	Number	Expiry	Number	Expiry
OPTIONS				
As at 30 June 2008 the Company had the following outstanding options:				
Unissued ordinary shares exercisable at $0.20	-	-	250,000	15 May 08
Unissued ordinary shares exercisable at $0.20	-	-	2,550,000	30 Jun 08
Unissued ordinary shares exercisable at $0.35	5,000,000	19 Jan 09	5,000,000	19 Jan 09
Unissued ordinary shares exercisable at $0.10	500,000	9 Sep 09	-	-
Unissued ordinary shares exercisable at $0.10	3,000,000	25 Nov 09	-	-

The holders of ordinary shares are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

		Consolidated		The Company	
	Note	2008	2007	2008	2007
		$	$	$	$
26. RESERVES					
Carrying amount at beginning of year		627,044	-	627,044	-
Revaluation of land		-	627,044	-	627,044
Carrying amount at end of year		627,044	627,044	627,044	627,044
27. ACCUMULATED LOSSES					
Accumulated losses at beginning of year		(18,774,972)	(13,289,406)	(20,747,708)	(15,460,710)
Profit/(Loss) for the year		657,042	(5,485,566)	2,497,855	(5,286,998)
Options issued as part of remuneration		219,069	-	219,069	-
Accumulated losses at end of year		(17,898,861)	(18,774,972)	(18,030,784)	(20,747,708)

	Note	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $

28. CAPITAL AND OTHER COMMITMENTS

(A) EXPLORATION EXPENDITURE COMMITMENTS

In order to maintain current rights of tenure to exploration tenements, the Company and the Group are required to perform minimum exploration work to meet the minimum expenditure requirements as specified by various State governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the accounts and are payable:

	Note	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Not later than one year		333,180	268,000	333,180	268,000
Later than one year but not later than two years		333,180	268,000	333,180	268,000
Later than two years but not later than five years		999,540	789,000	999,540	789,000
		1,665,900	1,325,000	1,665,900	1,325,000

Expenditure obligations in respect of mineral tenements may be reduced by applying for exemptions in certain circumstances.

(B) HIRE PURCHASE COMMITMENTS

Hire purchase commitments are payable as follows:

	Note	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Not later than one year		190,515	669,181	190,515	669,181
One year or later but not later than five years		685,396	116,900	685,396	116,900
Less: future hire purchase finance charges		(167,902)	(21,384)	(167,902)	(21,384)
Net hire purchase liability		708,009	764,697	708,009	764,697

(C) OPERATING LEASE EXPENSE COMMITMENTS

Lease as lessee

Non-cancellable operating lease rentals are payable as follows:

	Note	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
Less than one year		124,727	115,762	124,727	115,762
Between one and five years		10,419	135,146	10,419	135,146
More than five years		-	-	-	-
		135,146	250,908	135,146	250,908

The Group leases its two office suites (including 8 parking bays) under operating lease. The lease typically runs for a period of 3 years, with an option to renew the lease for a further 3 years after that date. Lease payments are increased annually to reflect changes in the local consumer price index.

During the year ended 30 June 2008 $115,762 was recognised as an expense in the Income Statements in respect of operating lease (2007: $99,030).

The Company has entered into a number of tenement acquisition agreements whereby royalties may become payable if mining commences on these tenements in the future.

Notes to the Financial Statements (continued)

	Note	Consolidated 2008 $	Consolidated 2007 $	The Company 2008 $	The Company 2007 $
29. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES					
CASHFLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) for the period		657,042	(5,485,566)	2,497,855	(5,286,998)
Adjustments for:					
Depreciation	19	421,628	2,657,456	421,628	2,657,456
Net gain on sale of property, plant & equipment	5	(730,480)	(2,077,907)	(730,480)	(2,077,907)
Debts forgiven		(202)	-	(1,840,951)	-
Interest paid on hire purchase liabilities		(37,330)	-	(37,330)	-
Net change in fair value of financial assets		1,161,176	-	1,161,176	-
Impairment loss on assets held for sale		-	6,542,182	-	6,542,182
Net gain on assets held for sale		(3,501,725)	-	(3,501,725)	-
Gain on sale of investment		-	(1,651)	-	(1,651)
Proceeds from farm-in agreement		-	(700,000)	-	(700,000)
Share issue cost		-	84,000	-	84,000
Equity-settled share-based payment transactions	6	219,069	-	219,069	-
Operating profit before changes in working capital and provisions		**(1,810,822)**	**1,018,514**	**(1,810,758)**	**1,217,082**
Change in trade and other receivables	12	1,006,008	2,285,286	1,005,944	2,285,475
Change in prepayments	15	159,464	(64,739)	159,464	(64,739)
Change in inventories	13	4,061	777,925	4,061	777,925
Change in deferred tax asset	16	-	-	-	(198,512)
Change in trade and other payables	21	(380,939)	(3,860,070)	(380,939)	(3,860,070)
Change in provisions for employee entitlements	24	(89,899)	(29,935)	(89,899)	(29,935)
Change in provisions for rehabilitation and refurbishment	24	-	(657,140)	-	(657,140)
Net cash from operating activities		**(1,112,127)**	**(530,159)**	**(1,112,127)**	**(529,914)**
30. NON-CASH INVESTING AND FINANCING ACTIVITIES					
Assets acquired through hire purchase arrangements		620,040	633,140	620,040	633,140
Investments acquired as part of proceeds of assets held for sale - at cost		4,315,774	-	4,315,774	-
		4,935,814	633,140	4,935,814	633,140

31. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

OVERVIEW

The Company and Group have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk (including currency risk, equity price risk and interest rate risk)

This note presents information and quantitative disclosures about the Company and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The board of directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company and Group's activities.

The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(i) CREDIT RISK

Credit risk is the risk of financial loss to the Group and Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group and Company's cash and cash equivalents and trade and other receivables.

Exposure to credit risk

The carrying amount of the Group and Company's financial assets represents the maximum credit exposure and were as follows at the reporting date:

		Consolidated		The Company	
	Note	2008 $	2007 $	2008 $	2007 $
CURRENT FINANCIAL ASSETS					
Cash and cash equivalents	11	4,280,904	2,126,082	4,280,904	2,126,082
Trade and other receivables	12	70,468	1,076,476	70,338	1,076,283
		4,351,372	3,202,558	4,351,242	3,202,365
NON-CURRENT FINANCIAL ASSETS					
Investments in subsidiaries	14	-	-	152	152
Bonds	15	72,416	70,653	72,416	70,653
		72,416	70,653	72,568	70,805
Total financial assets		**4,423,788**	**3,273,211**	**4,423,810**	**3,273,170**

The Group and Company's short term cash surpluses are placed with banks that have investment grade ratings. The board analyses each new customer individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Considering the nature of the Group's ultimate customers and the relevant terms and conditions entered into with such customers, the Group believes that its credit risk exposure is limited.

Impairment losses

The Group believes that no impairment allowance is necessary in respect of trade and other receivables.

Notes to the Financial Statements (continued)

31. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

(ii) LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 180 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

	Carrying amount $	Contractual cash flows $	Within 1 year $	1 to 5 years $
Consolidated				
2008				
NON-DERIVATIVE FINANCIAL LIABILITIES				
Trade and other payables	536,062	(536,062)	(536,062)	-
Hire purchase liabilities	708,009	(875,911)	(190,515)	(685,396)
	1,244,071	(1,411,973)	(726,577)	(685,396)
2007				
NON-DERIVATIVE FINANCIAL LIABILITIES				
Trade and other payables	885,605	(885,605)	(885,605)	-
Hire purchase liabilities	764,697	(786,081)	(669,181)	(116,900)
	1,650,302	(1,671,686)	(1,554,786)	(116,900)
The Company				
2008				
NON-DERIVATIVE FINANCIAL LIABILITIES				
Trade and other payables	536,062	(536,062)	(536,062)	-
Hire purchase liabilities	708,009	(875,911)	(190,515)	(685,396)
	1,244,071	(1,411,973)	(726,577)	(685,396)
2007				
NON-DERIVATIVE FINANCIAL LIABILITIES				
Trade and other payables	1,195,279	(1,195,279)	(1,195,279)	-
Hire purchase liabilities	764,697	(786,081)	(669,181)	(116,900)
Loan from controlled entities	1,531,075	(1,531,075)	(1,531,075)	-
	3,491,051	(3,512,435)	(3,395,535)	(116,900)

(iii) MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, equity prices and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on sales, purchases and equity security investments that are denominated in a currency other than the Group's functional currency of Australian dollar (AUD), namely the US dollar (USD) and Canadian dollar (CAD).

The Group operated a USD denominated bank account to minimise the currency risk on sales and purchases, whereby financial transactions in USD denominated sales and purchases were credited and debited respectively into the account. The USD bank account has since been closed at the reporting date following the Group's cessation of mining operations at Burnakura Joint Venture site(s). The Group's foreign investments are not hedged as those currency positions are considered to be long-term in nature.

The Group's exposure to foreign currency risk at balance sheet date was as follows (in AUD):

	Consolidated		The Company	
	USD	CAD	USD	CAD
2008				
FINANCIAL ASSETS				
Financial assets held for trading	-	1,783,325	-	1 ,783,325
Warrants - at fair value	-	854,606	-	854,606
	-	2,637,931	-	2,637,931
2007				
FINANCIAL ASSETS				
Cash and cash equivalents	366,667	-	366,667	-
Trade receivables	625,328	-	625,328	-
	991,995	-	991,995	-

Considering the Group and Company's overseas financial transactions are at present restricted to foreign investment holdings, the board is of the opinion that the Group and Company's exposure to currency risk is limited.

Currency risk sensitivity analysis

A 10.00% strengthening of AUD against the following currencies at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

	Consolidated		The Company	
	Equity	Profit or loss	Equity	Profit or loss
2008				
CAD	-	(239,818)	-	(239,818)
2007				
USD	-	(90,181)	-	(90,181)

31. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

(iii) MARKET RISK (CONTINUED)

Currency risk sensitivity analysis (continued)

A 10.00% weakening of AUD against the following currencies at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

	Consolidated		The Company	
	Equity	Profit or loss	Equity	Profit or loss
2008				
CAD	-	293,110	-	293,110
2007				
USD	-	110,222	-	110,222

Equity price risk

Equity price risk arises from held for trading investments and warrants, both received as part of the sales proceeds from the Group's divestment of Burnakura Joint Venture (including Tuckabianna). The board of directors monitors the Group's investment portfolio based on market indices and all buy and sell decisions are approved by the board.

The primary goal of the Group's investment strategy is to maximise investment returns in order to meet the Group's future operating cash flow requirements. In accordance with this strategy held for trading investments and warrants are designated at fair value through profit and loss because their performance is actively monitored and they are managed on a fair value basis.

Equity price risk sensitivity analysis

A 10.00% strengthening of equity prices of investment securities at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is not performed for 2007 as the Company had no investment securities in 2007.

	Consolidated		The Company	
	Equity $	Profit or loss $	Equity $	Profit or loss $
2008				
Financial assets held for trading	-	229,999	-	229,999
Warrants - at fair value	-	137,493	-	137,493
	-	367,492	-	367,492

A 10.00% weakening of equity prices of investment securities at 30 June would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

The Group and Company's present interest rate risk arises from finance lease obligations on fixed rates basis. The board will use its judgement to decide whether, at the time of taking new loans or borrowings, a fixed or floating borrowing rate would be more favourable to the Group and Company over the expected period until maturity.

At the reporting date the interest rate profile of the Group and Company's interest bearing financial instruments was:

	Weighted average interest rate	Fixed interest maturing in: 1 year or less $	1 to 5 years $	Non-interest bearing $	Floating interest rate $	Total $
Consolidated						
2008						
FINANCIAL ASSETS						
Cash and cash equivalents	7.27%	2,000,000	-	-	2,280,904	4,280,904
Trade and other receivables	-	-	-	70,468	-	70,468
Other financial assets	0.06%	-	-	3,197,065	29,949	3,227,014
		2,000,000	-	3,267,533	2,310,853	7,578,386
FINANCIAL LIABILITIES						
Trade and other payables	-	-	-	536,062	-	536,062
Hire purchase liabilities	10.24%	126,124	581,885	-	-	708,009
		126,124	581,885	536,062	-	1,244,071
2007						
FINANCIAL ASSETS						
Cash and cash equivalents	4.90%	-	-	-	2,126,082	2,126,082
Trade and other receivables	-	-	-	1,076,476	-	1,076,476
Other financial assets	2.33%	-	-	42,467	28,186	70,653
		-	-	1,118,943	2,154,268	3,273,211
FINANCIAL LIABILITIES						
Trade and other payables	-	-	-	885,605	-	885,605
Hire purchase liabilities	8.32%	653,415	111,282	-	-	764,697
		653,415	111,282	885,605	-	1,650,302

Notes to the Financial Statements (continued)

31. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

(iii) MARKET RISK (CONTINUED)

Interest rate risk (continued)

	Weighted average interest rate $	Fixed interest maturing in: 1 year or less $	1 to 5 years $	Non-interest bearing $	Floating interest rate $	Total $
The Company						
2008						
FINANCIAL ASSETS						
Cash and cash equivalents	7.27%	2,000,000	-	-	2,280,904	4,280,904
Trade and other receivables	-	-	-	70,338	-	70,338
Other financial assets	0.06%	-	-	3,197,217	29,949	3,227,166
		2,000,000	-	3,267,555	2,310,853	7,578,408
FINANCIAL LIABILITIES						
Trade and other payables	-	-	-	536,062	-	536,062
Hire purchase liabilities	10.24%	126,124	581,885	-	-	708,009
		126,124	581,885	536,062	-	1,244,071
2007						
FINANCIAL ASSETS						
Cash and cash equivalents	4.90%	-	-	-	2,126,082	2,126,082
Trade and other receivables	-	-	-	1,076,283	-	1,076,283
Other financial assets	2.33%	-	-	42,619	28,186	70,805
		-	-	1,118,902	2,154,268	3,273,170
FINANCIAL LIABILITIES						
Trade and other payables	-	-	-	1,195,279	-	1,195,279
Hire purchase liabilities	8.32%	653,415	111,282	-	-	764,697
Loans from subsidiaries	-	-	-	1,531,075	-	1,531,075
		653,415	111,282	2,726,354	-	3,491,051

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss (other than warrants). Therefore a change in interest rates on fixed rate instruments at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 1.00% in interest rates at the reporting date would have increased (decreased) equity and profit or loss of the Group and the Company by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

	Consolidated and The Company			
	Profit or loss		Equity	
	1.00% increase $	1.00% decrease $	1.00% increase $	1.00% decrease $
2008				
Variable rate financial assets	23,109	(23,109)	-	-
Cash flow sensitivity	**23,109**	**(23,109)**	**-**	**-**
2007				
Variable rate financial assets	21,543	(21,543)	-	-
Cash flow sensitivity	**21,543**	**(21,543)**	**-**	**-**

(iv) CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt. The Group's focus has been to raise sufficient funds through equity and to sell surplus assets to fund exploration and evaluation activities. The Group monitors capital on the basis of the gearing ratio, however there are no external borrowings (other than hire purchase arrangements) as at balance date.

The Group encourages employees to be shareholders through the long-term incentive plan, predominantly provided through participation in the Company's Employee Share Option Plan.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(v) FAIR VALUE

The fair value of financial assets and liabilities equates to the carrying values shown in the balance sheets.

32. RELATED PARTY TRANSACTIONS

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key personnel for the entire period:

	Position
Non-executive directors	
Mr H J L Bohannan	Chairman/Director (appointed Director 13 February 2007 & Chairman 26 February 2007)
Mr G Totaro	Director
Mr A R Martin	Director (appointed 18 April 2008)
Mr F J Fiore	Chairman/Director (resigned 26 February 2007)
Executive directors	
Mr J S Norregaard	Managing Director
Mr A E Czerw	Operations Director
Executive officers	
Mr G D Anderson	Company Secretary/Chief Financial Officer (appointed 12 February 2008)
Mr B E J Armstrong	Senior Geologist
Mr R D Walker	Mine Manager (resigned 2 August 2008)
Mr G L Baldisseri	Company Secretary/Chief Financial Officer (resigned 12 February 2008)
Mr D G Jackson	Exploration Manager (resigned 12 January 2007)
Mr D K Sutherland	Resident Manager – RAV8 and BJV (resigned 5 October 2007)
Mr G Phillips	Operations Manager (resigned 27 April 2007)
Mr S Krebs	Registered Mine Manager – BJV (resigned 13 July 2006)

The key management personnel compensation included in employee expenses (see note 4 to the Directors' Report) are as follows:

	Consolidated		The Company	
	2008 $	2007 $	2008 $	2007 $
Short-term employee benefits	938,776	1,379,361	938,776	1,379,361
Post-employment benefits	114,785	115,993	114,785	115,993
Termination benefits	42,399	-	42,399	-
Equity compensation benefits	219,069	-	219,069	-
	1,315,029	1,495,354	1,315,029	1,495,354

Notes to the Financial Statements (continued)

32. RELATED PARTY TRANSACTIONS (CONTINUED)

GDA Corporate

GDA Corporate, a company in which Mr Graham Anderson is a director, provided company secretarial, accounting and other corporate services to Tectonic Resources NL during the year. The amounts paid were at arm's length and are disclosed in the remuneration report.

INDIVIDUAL DIRECTORS AND EXECUTIVES COMPENSATION DISCLOSURES

Information regarding individual director and executive's compensation and some equity instruments are permitted by Corporations Regulations 2M.3.03 and 2M.6.04 is provided in the Remuneration Report section of the Directors' Report on pages 13 to 17.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the financial year and there were no material contracts involving directors' interest existing at year end.

OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS

The movement during the reporting period in the number of options over ordinary shares in Tectonic Resources NL, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Name	Grant date	Opening balance	Granted during year	Lapsed/ Forfeited during year	Exercised during year	Closing balance	Strike price	Expiry date
2008								
DIRECTORS								
Mr J S Norregaard	24 Nov 05	2,000,000	-	2,000,000	-	-	$0.20	30 Jun 08
Mr J S Norregaard	26 Nov 07	-	2,000,000	-	-	2,000,000	$0.10	25 Nov 09
Mr A E Czerw	03 Oct 05	250,000	-	250,000	-	-	$0.20	15 May 08
Mr A E Czerw	26 Nov 07	-	1,000,000	-	-	1,000,000	$0.10	25 Nov 09
EXECUTIVE OFFICERS								
Mr B E J Armstrong	10 Sep 07	-	500,000	-	-	500,000	$0.10	09 Sep 09
Mr G L Baldisseri	15 May 06	250,000	-	250,000 [a]	-	-	$0.20	30 Jun 08
Mr G L Baldisseri	10 Sep 07	-	1,000,000	1,000,000 [a]	-	-	$0.10	09 Sep 09
Mr D K Sutherland	03 Oct 05	100,000	-	100,000 [b]	-	-	$0.20	30 Jun 08
2007								
DIRECTORS								
Mr J S Norregaard	24 Nov 05	2,000,000	-	-	-	2,000,000	$0.20	30 Jun 08
Mr A E Czerw	03 Oct 05	250,000	-	-	-	250,000	$0.20	15 May 08
EXECUTIVE OFFICERS								
Mr G L Baldisseri	15 May 06	250,000	-	-	-	250,000	$0.20	15 May 08
Mr D G Jackson	03 Oct 05	100,000	-	100,000	-	-	$0.20	30 Jun 08
Mr D K Sutherland	03 Oct 05	100,000	-	-	-	100,000	$0.20	30 Jun 08
Mr G Philips	21 Mar 06	200,000	-	200,000	-	-	$0.20	30 Jun 08
Mr S Krebs	08 May 06	200,000	-	200,000	-	-	$0.19	30 Jun 08

(a) Options granted to Mr G L Baldisseri were forfeited upon his resignation from the Company on 12 February 2008

(b) Options granted to Mr D K Sutherland were forfeited upon his resignation from the Company on 5 October 2007

Details of options provided as remuneration can be found in the remuneration report within the Directors' Report.

MOVEMENTS IN KEY PERSONNEL SHARES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

The movement during the reporting period in the number of ordinary shares in Tectonic Resources NL held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July	Purchases	Received on exercise of options	Sales	Held at 30 June	Held at resignation date
2008						
DIRECTORS						
Mr H J L Bohannan	-	1,088,000	-	-	1,088,000	-
Mr J S Norregaard	2,698,333	310,000	-	-	3,008,333	-
Mr G Totaro	1,033,333	-	-	-	1,033,333	-
Mr A E Czerw	336,700	-	-	-	336,700	-
Mr A R Martin	-	310,000	-	-	310,000	-
EXECUTIVE OFFICERS						
Mr G D Anderson	-	-	-	-	-	-
Mr B E J Armstrong	-	-	-	-	-	
Mr R D Walker	-	-	-	-	-	-
Mr G L Baldisseri	766,994	-	-	-	766,994	766,994
Mr D G Jackson	200,000	-	-	-	200,000	200,000
Mr D K Sutherland	-	-	-	-	-	-
Mr G Phillips	-	-	-	-	-	-
2007						
DIRECTORS						
Mr H J L Bohannan	-	-	-	-	-	-
Mr J S Norregaard	2,698,333	-	-	-	2,698,333	-
Mr G Totaro	1,033,333	-	-	-	1,033,333	-
Mr A E Czerw	336,700	-	-	-	336,700	-
Mr F J Fiore	8,684,525	-	-	-	8,684,525	8,684,525
EXECUTIVE OFFICERS						
Mr G L Baldisseri	766,994	-	-	-	766,994	-
Mr D G Jackson	200,000	-	-	-	200,000	200,000
Mr D K Sutherland	-	-	-	-	-	-
Mr G Phillips	-	-	-	-	-	-
Mr S Krebs	-	-	-	-	-	-

33. CONTINGENT ASSETS OR LIABILITIES

The directors are of the opinion that there are no contingent assets or liabilities which may have a material effect on the Group's financial position.

34. EVENTS SUBSEQUENT TO BALANCE DATE

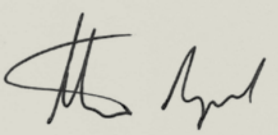
There have been no events subsequent to balance date which would have a material effect on the Group's financial statements at 30 June 2008.

Directors' Declaration

In the opinion of the directors of Tectonic Resources NL (the Company):

1. The financial statements and notes, set out on pages 23 to 55 are in accordance with the Corporations Act 2001, including:
   a) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2008 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and,
   b) complying with Australian Accounting Standards and the Corporations Regulations 2001;
   c) the remuneration disclosures that are contained in the remuneration report in the directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001; and,
   d) there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2008.

Signed in accordance with a resolution of the directors:



J S Norregaard

Managing Director

Dated at Perth this eighteenth day of September 2008.

KPMG

Independent auditor's report to the members of Tectonic Resources NL

Report on the financial report

We have audited the accompanying financial report of Tectonic Resources NL (the Company), which comprises the balance sheets as at 30 June 2008, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 34 and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

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

KPMG

Auditor's opinion

In our opinion:

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

 (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the Remuneration Report included in pages 13 to 17 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Tectonic Resources NL for the year ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

B P Steedman
Partner

Perth
18 September 2008

ASX Additional Information

Additional information included in accordance with listing requirements of the Australian Securities Exchange Limited and not disclosed elsewhere in this report. All information set out below was applicable at 18 September 2008.

(A) DISTRIBUTION OF EQUITY SECURITIES

Size of holdings of fully paid shares	No. of holdings	No. of fully paid shares
1 - 1,000	42	16,241
1,001 - 5,000	136	509,274
5,001 - 10,000	398	3,589,790
10,001 - 100,000	1,103	41,329,408
100,001 and over	308	216,539,210
	1,987	261,983,923

(B) NUMBER OF SHAREHOLDINGS HOLDING LESS THAN A MARKETABLE PARCEL

Number of shareholdings holding less than a marketable parcel	255

(C) SUBSTANTIAL SHAREHOLDERS

The number of shares held by shareholders holding more than 5%

Shareholders	No. of shares	%
Jabiru Metals Ltd	30,000,000	11.45%
Royale Blue Pty Ltd	16,643,372	6.35%

Three companies with common directors, CTS Funds Pty Ltd, First Transport Services Pty Ltd and Royale Blue Pty Ltd, hold an aggregate of 23,783,414 shares representing 9.08% of the issued fully paid shares in the company.

(D) VOTING RIGHTS

Each member is entitled to vote in person or by proxy or by attorney and on show of hands every person who is a member or a representative or proxy of a member shall have one vote and on a poll each member present in person or by proxy or attorney or other authorised representative shall have one vote for each share held.

(E) TWENTY LARGEST SHAREHOLDERS

Shareholders	Shares held	%
Jabiru Metals Ltd	30,000,000	11.45%
Royale Blue Pty Ltd	16,643,372	6.35%
Lion Selection Group Ltd	12,857,142	4.91%
Merrill Lynch (Australia) Nominees Pty Ltd	10,000,000	3.82%
Mincor Resources NL	10,000,000	3.82%
Sanpoint Pty Ltd	8,612,525	3.29%
Joley Pty Ltd	7,190,212	2.74%
CTS Funds Pty Ltd	5,532,124	2.11%
Polly Pty Ltd	5,022,867	1.92%
Irrewarra Investments Pty Ltd	3,331,793	1.27%
Ivymax Pty Ltd	3,008,333	1.15%
Quintal Pty Ltd	2,879,229	1.10%
Dr Christopher Meany	2,155,964	0.82%
Mr Hubert Jozef Jaminon & Ms Christine Alcock	2,000,000	0.76%
Kingarth Pty Ltd	1,869,491	0.71%
First Transport Services Pty Ltd	1,607,918	0.61%
FNL Investments Pty Ltd	1,450,000	0.55%
ANZ Nominees Ltd	1,420,394	0.54%
Todtona Pty Ltd	1,405,983	0.54%
Mr Brian Ernest Zucal & Mr Stephen Brian Zucal	1,400,000	0.53%
Total	**128,387,347**	**48.99%**

ASX Additional Information (continued)

(F) UNQUOTED EQUITY SECURITIES

	No. on issue	No. of holders
Options issued under the Tectonic Resources NL Employee Option Plan	3,500,000	3
Sempra Metals Limited	5,000,000	1

SCHEDULE OF INTERESTS IN MINING TENEMENTS

Lease	Lease Type	Lease Name	Region	Project	Status	Grant Date	Expiry Date	Area (ha)	TTR Equity
E 15/855	Exploration	Nepean	Coolgardie	Nepean	Granted	29/05/2006	28/05/2011	454.17	100%
P 15/4675	Prospecting	Nepean	Coolgardie	Nepean	Granted	26/05/2006	25/05/2010	12.41	100%
L 74/34	Access Road	Kundip	Ravensthorpe	Phillips River	Pending			1.7	100%
L 74/35	Access Road	Trilogy	Ravensthorpe	Phillips River	Granted	23/11/2005	22/11/2026	2.87	100%
L 74/42	Access Road	RAV8	Ravensthorpe	Phillips River	Granted	20/01/2006	19/01/2027	9.42	100%
L 74/45	Power/Water Easement	Trilogy	Ravensthorpe	Phillips River	Pending			15.62	100%
P 74/228	Prospecting	Mt Desmond Nth	Ravensthorpe	Phillips River	Pending			48	100%
P 74/229	Prospecting	Mt Desmond Nth	Ravensthorpe	Phillips River	Pending			75	100%
P 74/286	Prospecting	Kundip	Ravensthorpe	Phillips River	Granted	20/03/2008	19/03/2012	20	100%
P 74/287	Prospecting	Kundip	Ravensthorpe	Phillips River	Granted	20/03/2008	19/03/2012	90	100%
P 74/288	Prospecting	Kundip	Ravensthorpe	Phillips River	Granted	20/03/2008	19/03/2012	89	100%
P 74/289	Prospecting	Kundip	Ravensthorpe	Phillips River	Granted	20/03/2008	19/03/2012	142	100%
P 74/290	Prospecting	Kundip	Ravensthorpe	Phillips River	Granted	20/03/2008	19/03/2012	128.76	100%
P 74/291	Prospecting	Kundip	Ravensthorpe	Phillips River	Granted	20/03/2008	19/03/2012	77.14	100%
P 74/292	Prospecting	Kundip	Ravensthorpe	Phillips River	Granted	20/03/2008	19/03/2012	116.55	100%
P 74/318	Prospecting	Trilogy	Ravensthorpe	Phillips River	Pending			172	100%
P 74/319	Prospecting	Trilogy	Ravensthorpe	Phillips River	Pending			11.74	100%
E 74/245	Exploration	Kundip	Ravensthorpe	Phillips River	Pending			857	100%
E 74/311	Exploration	Kundip	Ravensthorpe	Phillips River	Granted	04/10/2006	03/10/2011	78.6	100%
E 74/385	Exploration	Kundip	Ravensthorpe	Phillips River	Granted	3/11/2008	3/10/2013	1,843.7	100%
E 74/391	Exploration	Kundip	Ravensthorpe	Phillips River	Granted	20/03/2008	19/03/2013	2,942.6	100%
E 74/392	Exploration	Kundip	Ravensthorpe	Phillips River	Granted	20/03/2008	19/03/2013	1,982.9	100%
E 74/413	Exploration	Trilogy	Ravensthorpe	Phillips River	Pending				100%
M 74/13	Mining	RAV8	Ravensthorpe	Phillips River	Granted	06/03/1985	05/03/2027	427.6	100%
M 74/41	Mining	Kundip	Ravensthorpe	Phillips River	Granted	29/12/1987	28/12/2008	3.44	100%
M 74/51	Mining	Kundip	Ravensthorpe	Phillips River	Granted	25/01/1990	24/01/2011	519.65	100%
M 74/53	Mining	Kundip	Ravensthorpe	Phillips River	Granted	26/01/1990	25/01/2011	82.835	100%
M 74/135	Mining	Kundip	Ravensthorpe	Phillips River	Granted	19/12/2000	18/12/2021	9.17	100%
M 74/176	Mining	Trilogy	Ravensthorpe	Phillips River	Granted	03/08/2005	02/08/2026	936.15	100%
M 74/180	Mining	Kundip	Ravensthorpe	Phillips River	Pending			1.62	100%

Corporate Directory

DIRECTORS

Hamish Bohannan
Chairman

Steve Norregaard
Managing Director

Joe Totaro
Andrew Czerw
Anthony Martin

COMPANY SECRETARY

Graham Anderson

REGISTERED OFFICE

21 Teddington Road
Burswood WA 6100

CONTACT DETAILS

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STOCK EXCHANGE LISTING

Tectonic Resources NL shares are listed on the Australian Securities Exchange (ASX) Limited
ASX Code: TTR

ACN & ABN

ACN: 004 287 790
ABN: 61 004 287 790

AUDITORS

KPMG
Level 31, Central Park
152-158 St Georges Terrace
Perth WA 6000

SOLICITORS

Blakiston & Crabb
1202 Hay Street
West Perth WA 6005

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000

FURTHER INFORMATION

Visit Tectonic's website at www.tectonic.com.au for regular quarterly reports and financial results. Additionally shareholders or interested parties can register to receive emailed updates shortly after the Company makes any regular or major announcement.

COPIES OF THIS REPORT

Copies of this report can be obtained through requests in writing to Company Secretary, Tectonic Resources NL, Suite 1A, 21 Teddington Road Burswood WA 6100 or emailing info@tectonic.com.au.

This report is also available in electronic form at www.tectonic.com.au.

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