

RESOLUTE MINING LIMITED FINANCIAL REPORT

For the year ended 30 June 2010



RESOLUTE
MINING
LIMITED

ACN 097 086 689

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CORPORATE DIRECTORY

Directors

Chairman – PE Huston
Chief Executive Officer – PR Sullivan
Non-Executive Director – TC Ford
Non-Executive Director – HTS Price

Secretary

GW Fitzgerald

Registered Office and Business Address

4th Floor, The BGC Centre
28 The Esplanade
Perth, Western Australia 6000

Postal

PO Box 7232 Cloisters Square
Perth, Western Australia 6850

Telephone: + 61 8 9261 6100

Facsimile: + 61 8 9322 7597

Email: contact@rml.com.au

ABN 39 097 088 689

Website

Resolute Mining Limited maintains a web site where all major announcements to the ASX are available: www.rml.com.au

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross, Western Australia 6153
Telephone: + 61 8 9315 2333
Facsimile: + 61 8 9315 2233
Email: registrar@securitytransfer.com.au

Home Exchange

Australian Securities Exchange Limited
Exchange Plaza
2 The Esplanade
Perth, Western Australia 6000

Quoted on the official lists of the
Australian Securities Exchange
ASX Ordinary Share Code: "RSG"
ASX Listed Convertible Notes Code: "RSGG"
ASX Listed Options Code: "RSGO"

Securities on Issue (30/06/2010)

Ordinary Shares	392,586,434
Unlisted Options	8,085,002
Listed Options	95,974,716
Convertible Notes	151,152,268

Legal Advisor

Hardy Bowen
Level 1, 28 Ord Street
West Perth, Western Australia 6005

Auditor

Ernst & Young
Ernst & Young Building
11 Mounts Bay Rd
Perth, Western Australia 6000

Bankers

Barclays Bank Plc
Level 24
400 George Street
Sydney, New South Wales 2000

Investec Bank (Australia) Limited
Level 31,
The Chifley Tower
2 Chifley Square
Sydney, New South Wales 2000

Citibank Limited
Level 23, Citigroup Centre
2 Park Street
Sydney, New South Wales 2000

Shareholders wishing to receive copies of
Resolute Mining Limited ASX announcements by
e-mail should register their interest by
contacting the Company at contact@rml.com.au

Your directors present their report on the consolidated entity (referred to hereafter as the "Group" or "Resolute") consisting of Resolute Mining Limited and the entities it controlled at the end of or during the year ended 30 June 2010.

CORPORATE INFORMATION

Resolute Mining Limited ("RML" or "the Company") is a company limited by shares that is incorporated and domiciled in Australia.

DIRECTORS

The names and details of the directors of Resolute Mining Limited in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Peter Ernest Huston (Non-Executive Chairman)

B. Juris, LLB (Hons), B.Com., LLM

Mr Peter Huston was appointed Chairman in 2000. After gaining admission in Western Australia as a Barrister and Solicitor, Mr Huston initially practised in the area of corporate and revenue law. Subsequently, he moved into the area of public listings, reconstructions, equity raisings, mergers and acquisitions and advised on a number of major public company floats, takeovers and reconstructions. Mr Huston is admitted to appear before the Supreme Court, Federal Court and High Court of Australia. Mr Huston was a partner of the international law firm now known as "Deacons" until 1993 when he retired to establish the boutique investment bank and corporate advisory firm known as "Troika Securities Limited".

Mr Huston is a member of the Audit Committee and the Remuneration and Nomination Committee.

Peter Ross Sullivan (Chief Executive Officer)

B.E., MBA

Mr Peter Sullivan was appointed Chief Executive Officer of the Company in 2001 and has been involved with the Group since 1999. Mr Sullivan is an engineer and has been involved in the management and strategic development of resource companies and projects for over 20 years. Mr Sullivan is also a director of GME Resources Limited (appointed 1996).

Mr Sullivan is a member of the Environment and Community Development Committee, the Safety, Security and Occupational Health Committee, and the Financial Risk Management Committee.

Thomas Cummings Ford (Non-Executive Director)

FAICD

Mr Tom Ford is a non-executive director and was appointed to the board in 2001. Mr Ford is an investment banker and financial consultant with over 30 years experience in the finance industry. He retired as an executive director of a successful and well regarded Australian investment bank in 1991 and now fulfils a number of non-executive director roles. He is also Chairman of RESIMAC Limited (appointed 1985), and in the last 3 years he was a non-executive director of Amalgamated Holdings Limited (appointed in 1993, served until October 2009).

Mr Ford is a member of the Audit Committee and the Remuneration and Nomination Committee.

RESOLUTE MINING LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2010

Henry Thomas Stuart (Bill) Price (Non-Executive Director)
B.Com., FCA, FAICD

Mr Bill Price is a non-executive director and was appointed to the board in 2003. Mr Price is a Chartered Accountant with over 35 years experience in the accounting profession. Mr Price has extensive taxation and accounting experience in the corporate and mining sector. In addition to his professional qualifications, Mr Price is a member of the Australian Institute of Company Directors, a registered tax agent and registered company auditor. Mr Price is also a director and treasurer of Tennis West.

Mr Price is the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee.

COMPANY SECRETARY

Greg William Fitzgerald
B.Bus., C.A.

Mr Fitzgerald is a Chartered Accountant with over 20 years of resources related financial experience and has extensive commercial experience in managing finance and administrative matters for listed companies. Mr Fitzgerald is also the General Manager – Finance & Administration and has been Company Secretary since 1996. Prior to his involvement with the Group, Mr Fitzgerald worked with an international accounting firm in Australia.

Mr Fitzgerald is a member of the Financial Risk Management Committee.

Interests in the shares and options of Resolute Mining Limited and related bodies corporate

As at the date of this report, the interests of the directors in shares, options and convertible notes of Resolute Mining Limited and related bodies corporate were:

	Ordinary Shares	Options Over Ordinary Shares	Convertible notes
P. Huston	401,421	26,761	-
P. Sullivan	3,169,277	133,333	200,000
T. Ford	26,477	133,333	200,000
H. Price	24,772	67,554	100,000
	<u>3,621,947</u>	<u>360,981</u>	<u>500,000</u>

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activities of entities within the consolidated entity during the year were:

- Gold mining; and,
- prospecting and exploration for minerals.

There has been no significant change in the nature of those activities during the year.

RESULTS

Revenues from operations increased by 14% to \$342.5m (2009: \$299.7m) in the year ended 30 June 2010.

Profit before unrealised treasury and tax increased by 28% to \$36.0m (2009: \$28.2m). This result includes \$9.3m (2009: \$11.5m) of exploration costs charged directly to the consolidated statement of comprehensive income.

The net loss after tax of \$56.6m (2009: \$30.7m profit) primarily results from a \$74.5m unrealised foreign exchange loss (2009: \$0.3m gain) on loans with Resolute Mining subsidiaries.

Resolute Mining has an Australian dollar denominated intercompany loan receivable from its 80% owned Malian operating subsidiary (Societe des Mines de Syama S.A. or "Somisy"). Somisy recognises a foreign exchange (loss)/gain on the restatement of this AUD denominated intercompany loan to the CFA Franc equivalent at period end. The resulting unrealised foreign exchange gain or loss recognised by Somisy is not eliminated on the consolidation of Somisy's results into the Resolute Mining group. This is due to the accounting standard requirement that if the intercompany loan is to be repaid in the foreseeable future, the intercompany loan cannot be regarded as part of a net investment in that subsidiary and consequently, exchange differences on the intercompany loan cannot be taken directly to the Resolute Mining Group's foreign currency reserve on consolidation and must be recognised in the consolidated statement of comprehensive income.

DIVIDENDS

No dividend has been declared or paid during, or subsequent to, the financial year.

REVIEW OF OPERATIONS

Production

The Group gold production for the year was 352,302 ounces (2009: 303,722) of gold at an average cash cost of A\$741/oz (2009: A\$714/oz).

Golden Pride gold mine in Tanzania, Africa, produced 148,675 ounces (2009: 127,042) at a cash cost of A\$583/oz (or US\$514/oz) (2009: A\$656/oz or US\$486/oz).

Ravenswood gold mine in Queensland, Australia, produced 125,652 ounces (2009: 151,913) at a cash cost of A\$804/oz (2009: A\$763/oz).

Syama gold mine in Mali, Africa, produced 77,975 ounces in the twelve month period. For the six months to 30 June 2010, 41,689 ounces were produced at a cash cost of A\$1,114/oz (or US\$1,001/oz). The mine was considered to be in pre production up to 31 December 2009.

Development

Mali

- Feasibility study on treatment of Syama free milling ore completed and review work to determine best circuit design continues.
- Commencement of a feasibility study into the supply and installation of a high voltage power grid connection from Sikasso (approximately 80km away) to Syama gold mine.
- The Finkolo Exploitation permit application, including the Tabakoroni Deposit Feasibility Study and Environmental and Social Impact Assessment was completed and submitted to the Mali Government for approval.

Queensland

- Completion of a new underground mine design and infill drilling resulted in the conversion of previously reported resources to proven and probable reserves of 6.17 mt @ 2.7g/t Au for 535,000 ounces.
- Diamond drilling is planned to further test the open down plunge extent of the Mt Wright deposit.

Tanzania

- Updated pit designs completed on Maji and Golden Pride saw incremental reserve additions of 880,000 t @ 1.8g/t Au for approximately 50,000 ounces.
- At Nyakafuru, an environmental scoping report was completed during the period. An Environmental and Social Impact Study along with the Nyakafuru Feasibility Study will now be submitted as part of the Nyakafuru Mining Lease application.

Exploration

Mali

Drilling focused on the Syama shear and greenstone belt to the north and south of Syama.

- Infill drilling at Tellem, Syama Extension and Alpha added combined resources totalling 5.82 mt @ 2.3 g/t Au for 428,000 ounces, at a 1.0 g/t cut off, to the resource inventory at Syama.
- Excellent intercepts were returned from wide spaced drilling on the 12km long Paysans-Senufo trend including 11m @ 3.17g/t Au from 21m, 7m @ 3.84g/t Au from 37m, 3m @ 6.38g/t Au from 26m, 20m @ 1.32g/t Au from 20m, and 8m @ 2.69g/t Au from 35m.

Queensland

- First pass diamond drilling at the Welcome Breccia prospect produced some exceptional drill intercepts including 18m @ 3.92g/t Au from 215m, 19m @ 4.52g/t from 359m, 113m @ 7.7g/t Au from 316m (including 19m @ 31.3g/t Au from 401m), and 53m @ 2.02g/t Au from 475m.
- Additional diamond drilling is planned to test the vertical and lateral extents of this potential new deposit. Several other Mt Wright style targets in the district are ready for ground geophysical work and/or drill testing.

Golden Pride Project, Tanzania

- A new Joint Venture agreement covering the Golden PrideWest tenure was signed with Barrick East Africa Limited. Initial wide spaced reverse circulation drilling returned significant intercepts including 6m @ 3.48g/t from 100m, 18m @ 2.74g/t from 84m, and 9m @ 2.69g/t from 25m.
- In addition to a preliminary inferred resource of 1.85mt @ 1.2g/t Au for 71,000oz at Kavsav, significant reverse circulation drill intercepts have been returned from the China and Kilabili prospects including 10m @ 4.77g/t Au from 24m, 12m @ 1.84g/t Au from 40m, and 7m @ 2.12g/t Au from 43m. These results further emphasise the potential for economically viable satellite resources within trucking distance of Golden Pride.

Cote d'Ivoire

- Resolute has continued to secure significant land holdings over targeted portions of the largely underexplored Birimian greenstone belts in Cote d'Ivoire. First pass surface geochemical programs have already defined ten significant gold and pathfinder element anomalies that will undergo further exploration in the coming year.

Corporate

- Group cash and receivables – gold bullion sales at 30 June 2010 was \$27.9m (2009: \$13.0m).
- Net operating cash inflows during the year (which include exploration expenditure) were \$31.8m (2009: \$55.3m). This does not include the \$9.7m of receivables – gold bullion sales on hand at 30 June 2010 and has been impacted by the commencement of corporate income tax payments in Tanzania.
- Net investing cash outflows of \$54.0m (2009: \$160.3m) with expenditure on evaluation and development areas of \$41.1m (2009: \$150.3m), including Syama pre production operating costs of \$56.5m offset by pre-production sales revenue from gold shipped of \$38.8m.
- Fund raising activities during the year ended 30 June 2010, by way of issuing shares, convertible notes and options, provided gross proceeds of \$44.1m. Costs associated with the fund raisings were \$2.4m.
- At 30 June 2010, Resolute's total face value of borrowings were A\$134.9m (2009: A\$137.4m) and comprised US\$33.6m (or A\$39.4m) owing on the Barclays senior debt facility, US\$8.5m (or A\$10.0m) of loans from Barclays used to purchase gold put options, A\$75.6m owing to holders of Resolute Convertible Notes, hire purchase/finance leases totalling A\$3.6m, and a A\$6.4m (AUD equivalent) bank overdraft facility. The borrowings amounts stated here differ to those shown on the balance sheet as these amounts exclude sunk-cost establishment fees and apportionments between debt and equity as required by accounting standards.
- Repayments of borrowings during the period totalled \$14.4m (2009: \$27.6m).
- Interest of \$9.0m owing on the Resolute Convertible Notes for the 12 months ended 30 June 2010 was paid by way of an issue of Resolute ordinary shares.
- The quantity of ounces committed under gold forward contracts decreased during the year ended 30 June 2010 by 114,423 ounces of gold, and as at 30 June 2010, Resolute has 155,080 ounces or 6% of its' attributable gold reserve committed to hedging contracts.
- The average cash price received per ounce of gold sold during the year was A\$1,070/oz (2009: A\$1,051/oz).

Outlook

Forecast gold production for the year ending 30 June 2010 is 380,000 ounces at a cash cost of A\$870 per ounce (based on an assumed USD/AUD exchange rate of 90 cents). This forecast is sensitive to the ongoing plant optimisation at the Syama gold mine.

Golden Pride

As the Central Pit diminishes its productive areas, mining will focus on the SouthWest Central Cutback. Equipment availabilities, limited work area and remediation of existing slips in the pit continue to be the major operating challenges during the coming six months. Mill throughput levels are expected to decline due to the hardness of the ore being treated, and in accordance with the Life of Mine plan, head grades are expected to reduce by approximately 20%. This will lead to lower gold production and higher cash costs per ounce in the 2010/2011 financial year.

Ravenswood

Sarsfield low grade ore stockpiles are expected to continue to be treated with Mt Wright ore until March 2011. Gold production is expected to be slightly up in the 2010/2011 financial year as a result of the expected improvement in head grade outweighing the reduced mill throughput that will occur following the depletion of the Sarsfield ore stockpiles. Cash costs per ounce are expected to remain at levels similar to those in 2009/10.

Syama

The optimisation of plant performance continues at the Syama gold mine with all areas expecting improvement in the coming year. Mill throughput levels and recoveries are both expected to improve materially with head grades to remain at similar levels to 2009/10. Gold production is expected to increase significantly and cash costs reduce in the 2010/2011 financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Company other than those listed above.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 20 September 2010, Resolute Mining Limited entered into an agreement to raise \$40.0 million in new equity. The net proceeds from this raising will primarily be applied to partially fund the close out of the Group's gold derivative contracts with the balance used for working capital and general corporate purposes.

Resolute Mining Limited has received approval from its derivative contract counterparties, Barclays Bank PLC and Investec Bank (Australia) Limited, to neutralise, through forward gold purchases, the portion of its gold derivative contracts not closed out with the proceeds from the equity raising. As a result, Resolute Mining Limited will become effectively unhedged and fully exposed to gold price movements.

The equity proceeds were raised through a combination of an institutional placement and exercise of existing listed options (ASX:RSGO). A total of approximately 11.8 million shares were issued at \$1.24 per share under the placement and approximately 42.4 million options were exercised at a price of \$0.60 per option. Funds are expected to be received by 5 October 2010. Morgan Stanley has underwritten this capital raising, which includes a right to terminate the capital raising if the S&P/ASX 200 Index falls at any time by an amount that is 10% or more of the level of that index at the close of trading on 17 September 2010.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The likely developments in the operations of the consolidated entity and the expected results of those operations in the coming financial year are as follows:

- (i) The continued production of gold from the Golden Pride, Ravenswood and Syama mines;
- (iii) mineral exploration will continue; and,
- (iv) the Group will seek to expand its gold production activities by advancing its existing projects or where appropriate, by direct acquisition of projects or investments in other resource based companies.

ENVIRONMENTAL REGULATION PERFORMANCE

The consolidated entity holds licences and abides by Acts and Regulations issued by the relevant mining and environmental protection authorities of the various countries in which the Group operates. These licences, Acts and Regulations specify limits and regulate the management of discharges to the air, surface waters and groundwater associated with the mining operations as well as the storage and use of hazardous materials.

There have been no significant known breaches of the consolidated entity's licence conditions or of the relevant Acts and Regulations.

REMUNERATION REPORT

The following information has been audited.

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report, key management personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, including any director (whether executive or otherwise) of the parent company, and includes the executives in the Parent and the Group receiving the highest remuneration.

a) Key management personnel

(i) Directors

P. Huston	Non-Executive Chairman
P. Sullivan	Director and Chief Executive Officer
T. Ford	Non-Executive Director
H. Price	Non-Executive Director

(ii) Executives

G. Fitzgerald	General Manager - Finance & Administration and Company Secretary
A. King	General Manager - Operations (Contract terminated 30 July 2010)
P. Venn	General Manager - Business Development

b) Compensation of key management personnel

This report outlines the remuneration arrangements in place for directors and executives of RML.

RML Remuneration Policy

The board recognises that the performance of the Company depends upon the quality of its directors and executives. To achieve its financial and operating objectives, the Company must attract, motivate and retain highly skilled directors and executives.

The Company embodies the following principles in its remuneration framework:

- Provides competitive rewards to attract high calibre executives;
- structures remuneration at a level that reflects the executive's duties and accountabilities and is competitive within Australia;
- benchmarks remuneration against appropriate groups at approximately the third quartile; and,
- aligns executive incentive rewards with the creation of value for shareholders.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is responsible for determining and reviewing the compensation arrangements for the directors themselves, the Chief Executive Officer and the executive team.

Executive remuneration is reviewed annually having regard to individual and business performance, relevant comparative information and internal and independent external information.

In accordance with best practice governance the Remuneration and Nomination Committee is comprised solely of non-executive directors.

Remuneration Structure

In accordance with best practice governance, the structure of non-executive director and senior executive remuneration is separate and distinct. Note that the remuneration structure for the Chief Executive Officer is the same as the executive team.

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Company's constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 26 November 2003 when the shareholders approved an aggregate remuneration of \$300,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each non-executive director receives a fee for being a director of the Company. An additional fee is payable for each board committee on which a director sits and an additional fee is also payable to a Chairman of any of these board committees due to the extra workload and responsibilities.

Chief Executive Officer and Senior Executive Remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to ensure total remuneration is competitive by market standards.

Structure

In determining the level and make up of executive remuneration, the Remuneration and Nomination Committee uses an external consultant's Remuneration Report to determine market levels of remuneration for comparable executive roles in the mining industry.

It is the Remuneration and Nomination Committee's policy that employment contracts are engaged for the Chief Executive Officer and the executive employees. Details of these contracts are outlined later in this report.

Remuneration consists of the following key elements:

- Fixed remuneration
- Variable remuneration
 - o Short term incentives (STI); and,
 - o Long term incentives (LTI).

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established for each executive by the Remuneration and Nomination Committee.

Fixed Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Remuneration and Nomination Committee. The process consists of a review of business unit, individual performance and relevant comparable remuneration in the mining industry.

Structure

Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost to the Company.

Variable Remuneration – Short Term Incentive (STI)

Objective

The objective of the STI is to reward performance that is over and above expectation levels and is linked to the achievement of the Company's performance measures (as set out below) by the executives charged with meeting those targets. The STI is set at a level so as to provide sufficient incentive to the executives to achieve the targets and such that the cost to the Company is reasonable in the circumstances.

Structure

Actual STI payments granted to each executive depend on their performance over the preceding year and are determined during the annual performance appraisal process. The performance appraisal outcomes are at the discretion of the remuneration committee and takes into account the following factors:

- Performance of a business unit;
- contribution to earnings;
- operational performance of a business unit;
- risk management;
- health and safety; and,
- leadership/team contribution.

The executive has to demonstrate outstanding performance in order to trigger payments under the short-term incentive scheme.

On an annual basis, after consideration of performance against KPIs, the overall performance of the Company and each individual business unit is assessed by the Remuneration and Nomination Committee.

The individual performance of each executive is also assessed and all these measures are taken into account when determining the amount, if any, to be paid to the executive as a short-term incentive.

The aggregate of annual STI payments available for executives across the Company is subject to the approval of the Remuneration and Nomination Committee. Payments are usually delivered as a cash bonus and/or in the form of superannuation.

Variable Remuneration – Long Term Incentive (LTI)

Objective

The objective of the LTI plan is to reward executives in a manner, which aligns this element of remuneration with the creation of shareholder wealth.

As such LTI's are made to executives who are able to influence the generation of shareholder wealth and thus have an impact on the Company's performance against the relevant long-term performance hurdles.

Structure

LTI grants to executives are delivered in the form of employee share options. These options are issued with an exercise price at a 10% premium to the RML ordinary share price at the date the Remuneration and Nomination Committee decides to invite the eligible persons to apply for the option. These employee share options will also generally vest over a 30 month period.

Options granted are vested in accordance with the Resolute Mining Limited Employee Share Option Plan following a review by the relevant supervisor of the executive's performance. If a satisfactory performance level is achieved, the relevant portions of the options vests to the executive. In order for the executive's options to vest, the executive must successfully meet the deliverables set out in their employment contract specific to their role. The assessment of whether the executive's role has been successfully performed (therefore allowing the options to vest) is done by way of a formal annual appraisal of the key management personnel's individual performance. Assessments of performance generally exclude factors external to the Company.

The performance of the Chief Executive Officer is assessed by the Chairman, and the performance of the other executives is assessed by the Chief Executive Officer. The annual performance appraisal assesses each key executive's performance against the following categories:

- (a) Professional and technical competence;
- (b) Teamwork and administrative skills;
- (c) Self development and communication skills; and
- (d) Developing people.

Although there are no specific performance hurdles in place, these general performance categories which the executives are evaluated against were chosen to enhance accountability of the executives across several areas critical to good management of the Group, and the board believes the annual appraisal process conducted in light of these categories provides an accurate and adequate measurement of their performance. This LTI method enables the Company to provide its executives with long term objectives which create a link between the delivery of value to shareholders, financial performance, and rewarding and retaining their valued services.

The Company prohibits directors or executives from entering into arrangements to protect the value of unvested Resolute Mining Limited shares or options that the director or executive may become entitled to as part of his/her remuneration package. This includes entering into contracts to hedge their exposure to RML options or shares that may vest to him/her in the future.

RESOLUTE MINING LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2010

Details of remuneration provided to key management personnel are as follows:

	SHORT TERM BENEFITS				POST EMPLOYMENT BENEFITS	SHARE BASED PAYMENTS	PERFORMANCE RELATED		
2010	Base Remuneration \$	Cash Bonus (i) \$	Cash Bonus Grant, Vest & Paid Date (i)	Non Monetary Benefits (ii) \$	Superannuation \$	Options \$	Options %	Cash Bonus %	Cash Bonus & Options %
Directors									
P. Huston	150,000	-	-	-	-	-	-	-	-
P. Sullivan	596,121	100,000	11 Dec 2009	61,487	53,839	-	-	12.32	12.32
T. Ford	57,339	-	-	-	5,161	-	-	-	-
H. Price	12,500	-	-	-	50,000	-	-	-	-
Officers									
G. Fitzgerald	333,367	20,000	11 Dec 2009	9,096	30,449	44,312	10.13	4.57	14.71
P. Venn	254,019	-	-	20,342	24,482	41,907	12.30	-	12.30
A. King (iii)	391,599	25,000	11 Dec 2009	1,508	35,244	32,786	6.74	5.14	11.89

RESOLUTE MINING LIMITED
DIRECTORS' REPORT
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	SHORT TERM BENEFITS			POST EMPLOYMENT BENEFITS	SHARE BASED PAYMENTS	PERFORMANCE RELATED			
2009	Base Remuneration \$	Cash Bonus (i) \$	Cash Bonus Grant, Vest & Paid Date (i)	Non Monetary Benefits (ii) \$	Super-annuation \$	Options \$	Options %	Cash Bonus %	Cash Bonus & Options %
Directors									
P. Huston	150,000	-	-	-	-	-	-	-	-
P. Sullivan	570,175	-	-	50,214	68,421	-	-	-	-
T. Ford	42,049	-	-	-	12,951	-	-	-	-
H. Price	1,200	-	-	-	53,800	-	-	-	-
Officers									
M. Turner (iv)	71,944	-	-	13,149	6,475	(6,961)	-	-	-
G. Fitzgerald	290,957	25,000	16 Dec 2008	14,532	49,934	41,274	9.79	5.93	15.72
M. Christie (v)	13,815	-	-	159	1,243	(6,961)	-	-	-
P. Venn	248,847	-	-	2,856	22,396	29,541	9.73	-	9.73
A. King	222,104	-	-	2,549	19,989	9,089	3.58	-	3.58

- (i) The Remuneration and Nomination Committee approved the amount on the basis of performance and increased workload during the 2008 and 2009 calendar years.
- (ii) Non monetary benefits include, where applicable, the cost to the Company of providing fringe benefits, the fringe benefits tax on those benefits and all other benefits received by the executive.
- (iii) A. King's contract terminated on 30 July 2010.
- (iv) M. Turner's contract terminated on 12 September 2008.
- (v) M Christie's contract terminated on 18 July 2008.

RESOLUTE MINING LIMITED
DIRECTORS' REPORT
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Details of option holdings of key management personnel are as follows:

2010	Options type	Balance at the start of the year	Granted during the year as compensation (i)	Grant date	Fair value of options at grant date	Total fair value of options at grant date	First exercise date of options granted during the year	Expiry & last exercise date of options granted during the year	Exercise price of options granted during the year	Exercised during the year	Lapsed during the year	Acquired during the year	Balance at the end of the year	Vested and exercisable at the end of the year		Value of options exercised during the year
					\$	\$			\$					No.	%	\$
Directors																
P. Huston	Listed	26,761	-	-	-	-	-	-	-	-	-	-	26,761	-	-	-
P. Sullivan	Listed	133,333	-	-	-	-	-	-	-	-	-	-	133,333	-	-	-
T. Ford	Listed	133,333	-	-	-	-	-	-	-	-	-	-	133,333	-	-	-
H. Price	Listed	67,554	-	-	-	-	-	-	-	-	-	-	67,554	-	-	-
Officers																
G. Fitzgerald	Unlisted	225,000	90,000	15 Feb 2010	0.49	44,100	15 Aug 2010	14 Feb 2015	1.09	-	-	-	359,102	100,000	27.85	-
P. Venn	Unlisted	225,000	90,000	15 Feb 2010	0.49	44,100	15 Aug 2010	14 Feb 2015	1.09	-	-	-	359,102	100,000	27.85	-
P. Venn (ii)	Listed	-	-	-	-	-	-	-	-	-	-	5,000	5,000	5,000	100.00	-
A. King (iii)	Unlisted	150,000	90,000	15 Feb 2010	0.49	44,100	15 Aug 2010	14 Feb 2015	1.09	(50,000)	-	-	234,102	-	-	32,500

RESOLUTE MINING LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2010

2009	Options type	Balance at the start of the year	Granted during the year as compensation (i)	Grant date	Fair value of options at grant date	Total fair value of options at grant date	First exercise date of options granted	Expiry & last exercise date of options granted during the year	Exercise price of options granted during the year	Exercised during the year	Lapsed during the year (vii)	Acquired during the year (viii)	Balance at the end of the year	Vested and exercisable at the end of the year		Value of options exercised during the year
					\$	\$			\$					No.	%	\$
Directors																
P. Huston	Listed	-	-	-	-	-	-	-	-	-	-	26,761	26,761	-	-	-
P. Sullivan	Listed	-	-	-	-	-	-	-	-	-	-	133,333	133,333	-	-	-
T. Ford	Listed	-	-	-	-	-	-	-	-	-	-	133,333	133,333	-	-	-
H. Price	Listed	-	-	-	-	-	-	-	-	-	-	67,554	67,554	-	-	-
Officers																
M. Turner	Unlisted	75,000	-	-	-	-	-	-	-	-	(75,000)	-	-	-	-	-
G. Fitzgerald (vi)	Unlisted	75,000	150,000	31 Jan 2009	0.20	30,000	1 Feb 2010	31 Jan 2014	0.42	-	-	-	225,000	25,000	11.11	-
M. Christie (iv)	Unlisted	225,000	-	-	-	-	-	-	-	(150,000)	(75,000)	-	-	-	-	19,500
P. Venn (v),(vi)	Unlisted	24,000	201,000	(v)	(v)	62,640	(v)	(v)	(v)	-	-	-	225,000	25,000	11.11	-
A. King	Unlisted	-	150,000	31 Jan 2009	0.20	30,000	1 Feb 2010	31 Jan 2014	0.42	-	-	-	150,000	-	-	-

RESOLUTE MINING LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2010

- (i) Options granted vest in accordance with the Resolute Mining Limited Employee Share Option Plan following the review by the Employee Share Option Plan Committee of the key management personnel's performance. For details on the valuation of the options, including models and assumptions used, refer to Note 31.
- (ii) During the year P. Venn acquired on the market 5,000 listed options over Resolute Mining Limited ordinary shares.
- (iii) On 1 April 2010, 50,000 options were exercised at a price of \$0.42 per option. These options were due to expire on 31 January 2014. The total fair value at grant date of the options exercised was \$10,200. On 30 July 2010, a further 50,000 options were subsequently exercised at a price of \$0.42 per option. In each instance of exercising options, one ordinary share was issued for each option exercised. There were no unpaid amounts relating to any ordinary shares acquired through the exercise of options.
- (iv) On 29 August 2008, 150,000 options were exercised at a price of \$1.42 per option. These options were due to expire on 21 December 2009. The total fair value at grant date of the options exercised was \$102,915. One ordinary share was issued for each option exercised. There were no unpaid amounts relating to any ordinary shares acquired through the exercise of options. All remaining options lapsed.
- (v) On 29 August 2008, 51,000 options were granted with a fair value of \$0.64 per option. The total fair value of these options granted was \$32,640. The exercise price of these options is \$1.62. First exercise date of these options was 28 February 2009. These options have an expiry date and last exercise date of 29 August 2013. On 31 January 2009, 150,000 options were granted with an exercise price of \$0.42 and expiry date of 31 January 2014. The fair value of the options at grant date was \$0.20 per option. The total fair value of these options granted was \$30,000. First exercise date of these options is 1 February 2010. These options have an expiry date and last exercise date of 31 January 2014.
- (vi) Pursuant to rights issues made on 31 December 2008, 28 January 2009 and 4 February 2009, the strike price reduced by 1 cent per option, which resulted in a less than \$300 decrease in total fair value of options held by P. Venn and G. Fitzgerald (all other key management personnel: nil). There were no other changes in the terms of the options, including the class of the underlying equity instrument, time remaining until expiry, or any terms affecting the vesting or exercise rights of the options. The market price of Resolute Mining Limited shares at each of the modification dates was as follows:

<u>Modification date</u>	<u>Share price</u>
4 February 2009	\$0.48
28 January 2009	\$0.42
31 December 2008	\$0.50
5 November 2007	\$1.88

- (vii) The value of the lapsed options at the date of lapse was \$101,032 for M. Christie and \$70,087 for M. Turner.
- (viii) These options were acquired through participation in a capital raising. The options have the same terms and conditions as the existing listed series (ASX:RSGO).

The table below shows the performance of the Consolidated Entity over the last 5 years:

		30 JUNE 2010	30 JUNE 2009	30 JUNE 2008	30 JUNE 2007	30 JUNE 2006
Net profit before unrealised treasury and tax	\$'000	36,024	28,201	3,466	171,391	11,510
Basic (loss)/earnings per share	cents/share	(9.90)	10.30	(21.61)	73.91	(33.87)

Employment Contracts

The CEO, Mr Sullivan, is employed under contract. His current employment contract commenced on 14 February 2004 and there is no termination date. Under the terms of the contract:

- Mr Sullivan may resign from his position and thus terminate this contract by giving 6 months written notice.
- The Company may terminate this employment agreement by providing 12 months written notice or provide payment in lieu of the notice period (based on the fixed component of Mr Sullivan's remuneration).

Mr Fitzgerald (General Manager – Finance and Administration) is also employed under contract. This contract has no termination date and under the terms of the contract:

- Mr Fitzgerald may resign from his position and thus terminate his contract by giving 3 months written notice.
- The Company may terminate his employment agreement by providing 6 months written notice or provide payment in lieu of the notice period (based on the fixed component of Mr Fitzgerald's remuneration).

Mr Venn (General Manager – Business Development) is also employed under contract. This contract has no termination date and under the terms of the contract:

- Mr Venn may resign from his position and thus terminate his contract by giving 3 months written notice.
- The Company may terminate his employment agreement by providing 6 months written notice or provide payment in lieu of the notice period (based on the fixed component of Mr Venn's remuneration).

Mr King (General Manager – Operations) is also employed under contract. This contract has no termination date and under the terms of the contract:

- Mr King may resign from his position and thus terminate his contract by giving 3 months written notice.
- The Company may terminate his employment agreement by providing 6 months written notice or provide payment in lieu of the notice period (based on the fixed component of Mr King's remuneration).
- Mr King's contract terminated on 30 July 2010.

This is the end of the audited information.

RESOLUTE MINING LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2010

SHARES UNDER OPTIONS

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

Grant date	Expiry date	Exercise price	Number on issue
24/03/2006	23/03/2011	\$ 1.12	55,000
16/10/2006	24/10/2011	\$ 1.32	165,000
23/05/2008	22/05/2013	\$ 2.12	213,000
29/08/2008	29/08/2013	\$ 1.62	75,000
7/10/2008	1/10/2011	\$ 1.63	1,250,000
20/01/2009	31/01/2014	\$ 0.42	794,002
31/12/2008	31/12/2011	\$ 0.60	95,974,417 *
9/04/2009	31/10/2012	\$ 1.00	500,000
21/07/2009	30/06/2012	\$ 0.74	500,000
24/10/2009	24/10/2012	\$ 0.72	3,000,000
15/02/2010	14/02/2015	\$ 1.09	899,000
16/07/2010	15/07/2015	\$ 1.21	179,000

*Denotes options that are listed on the Australian Securities Exchange.

Shares issued as a result of the exercise of options:

From 1 July 2009 up until the date of this report, option holders' exercised options to acquire 287,633 fully paid ordinary shares in Resolute Mining Limited at a weighted average exercise price of \$0.42 per share.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the Company paid an insurance premium of \$70,724 (2009: \$70,724) in respect of a contract insuring the Company's directors and officers against certain liabilities arising as a result of work performed in the capacity as directors and officers. This insurance premium is not allocated over individuals.

DIRECTORS' MEETINGS

The number of meetings and resolutions of directors (including meetings of committees of directors) held during the year and the number of meetings (or resolutions) attended by each director were as follows:

	Full Board	Audit	Environment & Community Development	Remuneration & Nomination	Safety, Security & Occupational Health	Financial Risk Management
P. Huston	20	0	n/a	2	n/a	n/a
P. Sullivan	21	n/a	4	n/a	4	22
T. Ford	19	2	n/a	2	n/a	n/a
H. Price	21	2	n/a	2	n/a	n/a
Number of meetings (or resolutions) held	21	2	4	2	4	22

The details of the functions of the other committees of the Board are presented in the Corporate Governance Statement.

RESOLUTE MINING LIMITED
DIRECTORS' REPORT
For the year ended 30 June 2010

ROUNDING

RML is a Company of the kind specified in Australian Securities and Investments Commission Class Order 98/0100. In accordance with that class order, amounts in the financial report and the Directors' Report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

AUDITOR INDEPENDENCE

Refer to page 28 for the Auditor's Independence Declaration to the Directors of Resolute Mining Limited.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young Australia received or are due to receive \$81,560 for the provision of taxation planning and review services.

Signed in accordance with a resolution of the directors.



P.R. Sullivan
Director

Perth, Western Australia
24 September 2010

RESOLUTE MINING LIMITED
CORPORATE GOVERNANCE STATEMENT
For the year ended 30 June 2010

The Board of Directors of Resolute Mining Limited ("RML" or "the Company") is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of RML on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board has adopted the "Corporate Governance Principles and Recommendations" established by the ASX Corporate Governance Council and published by the ASX in August 2007. There is a corporate governance section on the Company's website which sets out the various policies, charters and codes of conduct which have been adopted to ensure compliance with the "best practice recommendations" referred to above.

A description of the Company's main corporate governance practices is set out below. All practices, unless otherwise stated, were in place for the entire year.

1. The Board of Directors

The Board have established a "Statement of Matters Reserved to the Board" which is available on the Company website. This outlines the functions reserved to the Board and those delegated to management and demonstrates that the responsibilities and functions of the Board are distinct from management.

The key responsibilities of the Board include:

- Appointing, evaluating, rewarding and if necessary the removal of the Chief Executive Officer ("CEO") and senior management;
- Development of corporate objectives and strategy with management and approving plans, new investments, major capital and operating expenditures and major funding activities proposed by management;
- Monitoring actual performance against defined performance expectations and reviewing operating information to understand at all times the state of the health of the Company;
- Overseeing the management of business risks, safety and occupational health, environmental issues and community development;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control processes are in place and functioning appropriately. Further, approving and monitoring financial and other reporting;
- Assuring itself that appropriate audit arrangements are in place;
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted a Code of Business Ethics and that the Company practice is consistent with that Code; and
- Reporting to and advising shareholders.

The Board is comprised of 3 non-executive Directors including the Chairman and one executive director being the CEO.

The table below sets out the detail of the tenure of each director at the date of this report.

Director	Role of Director	First Appointed (a)	Non-executive	Independent
Peter Ernest Huston	Non-executive chairman	June 2001	Yes	Yes
Peter Ross Sullivan	CEO	June 2001	No	No
Thomas Cummings Ford	Non-executive director	June 2001	Yes	Yes
Henry Thomas Stuart Price	Non-executive director	November 2003	Yes	Yes

(a) RML was incorporated on 8 June 2001.

Details of the members of the Board including their experience, expertise and qualifications are set out in the Directors' Report under the heading "Directors".

2. Director Independence

Directors are expected to contribute independent views to the Board.

The Board has adopted specific principles in relation to the Directors' independence. These state that to be deemed independent, a director must be a non-executive and:

- Not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company.
- Within the last three years has not been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment.
- Within the last three years has not been a principal of a material professional advisor or a material consultant to the Company or another group member, or an employee materially associated with the service provided.
- Not a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.
- Must have no material contractual relationship with the Company or another group member other than as a director of the Company.
- Not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality for these purposes is based on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Company or Group or 5% of the individual Directors net worth is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed to be material if knowledge of it impacts the shareholders' understanding of the director's performance.

The Board has reviewed and considered the positions and associations of each of the 4 Directors in office at the date of this report and considers that 3 of the directors are independent. Mr Peter Sullivan (CEO) is not considered to be independent. As such it is clear that the majority of the Board are independent and the Chairman is an independent director.

The roles of the Chairman and the CEO are not exercised by the same individual. The Chairman is responsible for leading the Board, ensuring that Board activities are organised and efficiently conducted and for ensuring Directors are properly briefed for meetings. The Board has delegated responsibility for the day-to-day activities to the CEO and the Executive Committee. The Remuneration and Nomination Committee ensure that the Board members are appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the CEO and the Executive Committee. The CEO is accountable to the Board for all authority delegated to that position and the Executive Committee.

Directors and Board Committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense.

In relation to the term of office, the Company's constitution specifies that one third of all Directors (with the exception of the CEO) must retire from office annually and are eligible for re-election.

3. Remuneration and Nomination Committee

The Remuneration and Nomination Committee consists of the following non-executive Directors, Mr P.Huston (Chairman), Mr T.Ford and Mr H.Price. The attendance record in the current year of members at the Committee meetings is noted in the Directors' Report under the heading "Directors' Meetings".

The Remuneration and Nomination Committee is responsible for determining and reviewing the compensation arrangements for the Directors themselves, the CEO, the executive team and employees. In addition, they are responsible for reviewing the appropriateness of the size of the Board relative to its various responsibilities. Recommendations are made to the Board on these matters. Further roles and responsibilities of this Committee, including a description of the procedure for the selection, appointment and re-election of incumbents, can be found in the Committee's charter which is posted on the Company website.

A performance evaluation of senior executives took place during the financial year and was conducted in accordance with the procedures outlined by the Remuneration and Nomination Committee.

4. Ethical Standards and Code of Conduct

The Board acknowledges the need for the highest standards of corporate governance and ethical conduct by all Directors and employees of the consolidated entity. As such, the Company has developed a Code of Conduct which has been fully endorsed by the Board and applies to all Directors and employees. This Code of Conduct is regularly reviewed and updated as necessary to ensure that it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

A fundamental theme is that all business affairs are conducted legally, ethically and with strict observance of the highest standards of integrity and propriety. The Directors and management have the responsibility to carry out their functions with a view to maximising financial performance of the consolidated entity. This concerns the propriety of decision making in conflict of interest situations and quality decision making for the benefit of shareholders.

Refer to the Company website for specific codes of conduct, including the policy for reporting and investigating unethical practices.

5. Securities Trading

The Board has adopted the "Dealings in Resolute Mining Limited Securities Trading Policy" (refer website) (which is driven by *Corporations Act 2001* requirements) that applies to all Directors, officers and employees of the Company. Under this policy and the *Corporations Act 2001*, it is illegal for Directors, officers or employees who have price sensitive information relating to the Group which has not been published or which is not otherwise 'generally available' to:

- Buy, sell or otherwise deal in the Company's securities;
- Advise, procure or encourage another person (for example, a family member, a friend, a family Company or trust) to buy or sell Company securities; or
- Pass on information to any other person, if one knows or ought to reasonably know that the person may use the information to buy or sell (or procure another person to buy or sell) Company securities.

Furthermore, the Company prohibits directors or executives from entering into arrangements to protect the value of unvested Resolute Mining Limited securities that the Director or executive may become entitled to as part of his/her remuneration package. This includes entering into contracts to hedge their exposure to securities that may vest to him/her in the future.

6. Corporate Reporting

The CEO and General Manager - Finance & Administration have made the following certifications to the Board:

- That the Company's financial reports are complete and present a true and fair view as required by Accounting Standards, in all material respects, of the financial condition and operational results of the Company and Group; and
- That the above statement is founded on a sound system of internal control and risk management which implements the policies adopted by the Board and that the Company's risk management and internal control is operating efficiently in all material respects.

7. Audit Committee

The Audit Committee consists of the following non-executive Directors; Mr H. Price (Chairman), Mr P. Huston and Mr T. Ford. The attendance record in the current year of members at the Committee meetings is noted in the Directors' Report under the heading "Directors' Meetings".

Details of the members of the Board including their experience, expertise and qualifications are set out in the Directors' Report under the heading "Directors".

The Committee operates under a charter approved by the Board which is posted to the corporate governance section of the website. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This includes the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations. The Committee also provides the Board with additional assurance regarding the reliability of the financial information for inclusion in the financial reports.

The Audit Committee is also responsible for:

- Ensuring compliance with statutory responsibilities relating to accounting policy and disclosure;
- Liaising with, discussing and resolving relevant issues with the auditors;
- Assessing the adequacy of accounting, financial and operating controls; and
- Reviewing half-year and annual financial statements before submission to the Board.

8. External Auditors

The Company's current external auditors are Ernst & Young. As noted in the Audit Committee charter, the performance and independence of the auditors is reviewed by the Audit Committee.

Ernst & Young's existing policy requires that its audit team provide a statement as to their independence. This statement was received by the Audit Committee for the financial year ended 30 June 2010.

Ernst & Young and the *Corporations Act 2001* has a policy for the rotation of the lead audit partner. As a result of this policy, the head audit partner was rotated at the conclusion of the audit for the year ended 30 June 2006.

9. Continuous Disclosure

In accordance with ASX Principle 5, the Board has an established disclosure policy which is available on the Company website.

RESOLUTE MINING LIMITED
CORPORATE GOVERNANCE STATEMENT
For the year ended 30 June 2010

The Company is committed to:

- Ensuring that stakeholders have the opportunity to access externally available information issued by the Company;
- Providing full and timely information to the market about the Company's activities; and
- Complying with the obligations contained in the ASX Listing Rules and the *Corporations Act 2001* relating to continuous disclosure.

The CEO and the Company Secretary have been nominated as the people responsible for communication with the ASX. This involves complying with the continuous disclosure requirements outlined in the ASX Listing Rules, ensuring that disclosure with the ASX is co-ordinated and being responsible for administering and implementing the policy.

10. Shareholder Communication

The Board has established a communications strategy which is available on the Company website.

The Board aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary and kept informed of all major developments affecting the Company in a timely and effective manner. Information is communicated to the market and shareholders through:

- The annual report which is distributed to all shareholders.
- Half yearly, quarterly reports and all ASX announcements which are posted on the entity's website.
- The annual general meeting and other meetings so called to obtain approval for Board action as appropriate.
- Continuous disclosure announcements made to the Australian Securities Exchange.

Further, it is a CLERP 9 requirement that the auditor of the Company attends the annual general meeting. This provides shareholders the opportunity to question the auditor concerning the conduct of the audit and the preparation and content of the Auditor's Report.

11. Risk Management

The Board recognises the importance of identifying and controlling risks to ensure that they do not have a negative impact on the Company.

In accordance with the ASX Principle 7, the Board has an established Risk Management policy which is available on the Company website which is designed to safeguard the assets and interests of the Company and to ensure the integrity of reporting.

The CEO and General Manager - Finance & Administration will inform the Board annually in writing that:

- The sign off given on the financial statements is founded on a sound system of risk management and internal control compliance which implements the policies adopted by the Board.
- The Company's risk management and internal compliance and control systems is operating effectively and efficiently in all material respects.

The Board has established the following Sub Committees to assist in internal control and business risk management:

- Audit Committee
- Remuneration and Nomination Committee
- Environment and Community Development Committee
- Safety, Security and Occupational Health Committee
- Financial Risk Management Committee

RESOLUTE MINING LIMITED
CORPORATE GOVERNANCE STATEMENT
For the year ended 30 June 2010

The function of the Audit Committee and the Remuneration and Nomination Committee are outlined above. The function of the other Committees noted above are as follows:

Environment and Community Development Committee

The main responsibility of this Committee is to monitor and review RML's environmental performance and compliance with relevant legislation and oversee Community Relations.

Information on compliance with significant environmental regulations is set out in the Directors' Report.

Safety, Security and Occupational Health Committee

The main functions of this Committee are to oversee an employee education program designed to increase employee awareness of safety, security and health issues in the workplace and monitor safety statistics and report to the Board on the results of incident investigations.

Financial Risk Management Committee

The main responsibility of this Committee is to oversee risk management strategies in relation to gold hedging, currency hedging, debt management, capital management, cash management and insurance.

The Board members and their attendance at meetings is outlined in the Directors' Report. Senior members of management who specialise in each area also form part of the respective Committees.

12. Remuneration Policies

This policy governs the operations of the Remuneration and Nomination Committee. The Committee reviews and reassesses the policy at least annually and obtains the approval of the Board.

The Remuneration and Nomination Committee are responsible for developing measurable objectives and evaluating progress against these objectives.

In accordance with best governance practice a diversity policy is being established which includes the review of diversity within RML by considering board composition, executive composition and employee composition by gender.

The details of the Directors' and Officers' remuneration policies are provided in the Directors' Report under the heading "Remuneration Report".

Auditor's Independence Declaration to the Directors of Resolute Mining Limited

In relation to our audit of the financial report of Resolute Mining Limited for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Gavin Buckingham'.

Gavin A Buckingham
Partner
Perth
24 September 2010

RESOLUTE MINING LIMITED
FINANCIAL REPORT
For the year ended 30 June 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended 30-Jun-10 \$'000	For the year ended 30-Jun-09 \$'000
Continuing Operations			
Revenue from gold sales	2(a)	342,484	299,713
Costs of production relating to gold sales	2(b)	<u>(229,007)</u>	<u>(200,589)</u>
Gross profit before depreciation, amortisation and other operating costs		113,477	99,124
Depreciation and amortisation relating to gold sales	2(c)	(43,141)	(27,578)
Other operating costs relating to gold sales	2(d)	(16,565)	(12,660)
Gross profit		<u>53,771</u>	<u>58,886</u>
Other revenue	2(e)	294	1,633
Other income	2(f)	11,620	10,858
Exploration expenditure		(9,280)	(11,543)
Share of associate's loss		(258)	-
Administration and other expenses	2(g)	<u>(8,903)</u>	<u>(27,564)</u>
Profit before unrealised treasury, tax and finance costs		47,244	32,270
Finance costs	2(h)	<u>(11,220)</u>	<u>(4,069)</u>
Profit before unrealised treasury and tax		<u>36,024</u>	<u>28,201</u>
Treasury - unrealised (losses)/gains	2(i)	<u>(75,976)</u>	<u>1,141</u>
(Loss)/profit before income tax		<u>(39,952)</u>	<u>29,342</u>
Tax (expense)/benefit	3	(16,619)	1,334
Net (loss)/profit for the year		<u><u>(56,571)</u></u>	<u><u>30,676</u></u>
Net (loss)/profit attributable to:			
Members of the parent		(37,173)	30,676
Non-controlling interest		<u>(19,398)</u>	<u>-</u>
		<u><u>(56,571)</u></u>	<u><u>30,676</u></u>

RESOLUTE MINING LIMITED
FINANCIAL REPORT
For the year ended 30 June 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

	Note	For the year ended 30-Jun-10 \$'000	For the year ended 30-Jun-09 \$'000
Net (loss)/profit for the year (brought forward)		(56,571)	30,676
Other comprehensive (loss)/income			
Exchange differences on translation of foreign operations:			
- Members of the parent		1,538	9,816
- Transferred to profit and loss - disposed subsidiaries		(1,886)	-
- Non-controlling interest		1,607	-
Cash flow hedges: Transfer to profit and loss, net of tax		(5,343)	(4,105)
Impairment of available for sale financial assets, net of tax		-	(2,198)
Changes in the fair value of available for sale financial assets, net of tax		(200)	2,499
Other comprehensive (loss)/income for the period, net of tax		<u>(4,284)</u>	<u>6,012</u>
Total comprehensive (loss)/income for the period		<u><u>(60,855)</u></u>	<u><u>36,688</u></u>
Total comprehensive (loss)/income attributable to:			
Members of the parent		(43,064)	36,688
Non-controlling interest		<u>(17,791)</u>	<u>-</u>
		<u><u>(60,855)</u></u>	<u><u>36,688</u></u>
Earnings per share for net (loss)/profit attributable to the ordinary equity holders of the parent:			
Basic (loss)/earnings per share	33	(9.90)	10.30
Diluted (loss)/earnings per share	33	(9.90)	9.74

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

RESOLUTE MINING LIMITED
FINANCIAL REPORT
As at 30 June 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30-Jun-10 \$'000	As at 30-Jun-09 \$'000
Current assets			
Cash	5	18,259	12,701
Receivables - gold bullion sales		9,662	257
Receivables - other	6	6,533	4,396
Inventories	7	85,754	75,265
Available for sale financial assets	8	818	1,107
Financial derivative assets	9	89	-
Other	10	3,866	6,258
Total current assets		124,981	99,984
Non current assets			
Receivables	6	4,083	5,557
Financial derivative assets	9	901	6,457
Exploration and evaluation expenditure	11	10,970	8,928
Development expenditure	12	231,030	399,416
Property, plant and equipment	13	221,274	100,135
Deferred mining costs	14	13,504	17,188
Investment in associate	15	5,892	-
Other	10	-	1,408
Total non current assets		487,654	539,089
Total assets		612,635	639,073
Current liabilities			
Payables	16	47,652	56,135
Interest bearing liabilities	17	29,445	24,277
Tax liabilities		3,454	2,160
Financial derivative liabilities	18	92,075	52,949
Provisions	19	10,933	6,936
Total current liabilities		183,559	142,457
Non current liabilities			
Interest bearing liabilities	17	93,300	100,738
Financial derivative liabilities	18	21,026	62,358
Provisions	19	28,624	30,021
Deferred tax liabilities	3	3,049	-
Other	20	37	193
Total non current liabilities		146,036	193,310
Total liabilities		329,595	335,767
Net assets		283,040	303,306

RESOLUTE MINING LIMITED
FINANCIAL REPORT
As at 30 June 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Note	As at 30-Jun-10 \$'000	As at 30-Jun-09 \$'000
Equity attributable to equity holders of the parent			
Contributed equity	21	237,083	209,680
Reserves	22	22,690	15,395
Retained earnings	23	41,058	78,231
Parent interest		300,831	303,306
Non-controlling interest		(17,791)	-
Total equity		<u>283,040</u>	<u>303,306</u>

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

RESOLUTE MINING LIMITED
FINANCIAL REPORT
For the year ended 30 June 2010

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary shares	Net unrealised gain/(loss) reserve	Hedge reserve forwards gain/(loss)	Convertible notes equity reserve	Share options equity reserve	Employee equity benefits reserve	Foreign currency translation reserve	Retained earnings	Non-controlling interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2009	209,680	364	5,343	3,492	4,064	1,499	633	78,231	-	303,306
Net (loss)/profit for the year	-	-	-	-	-	-	-	(37,173)	(19,398)	(56,571)
Other comprehensive income, net of tax	-	(200)	(5,343)	-	-	-	(348)	-	1,607	(4,284)
Total comprehensive loss for the period, net of tax	-	(200)	(5,343)	-	-	-	(348)	(37,173)	(17,791)	(60,855)
Transactions with owners										
Shares issued	28,446	-	-	-	-	-	-	-	-	28,446
Share issue costs	(1,043)	-	-	-	-	-	-	-	-	(1,043)
Options issued to convertible note holders and shareholders, net of tax	-	-	-	-	1,923	-	-	-	-	1,923
Equity portion of compound financial instruments, net of tax and transaction costs	-	-	-	10,741	-	-	-	-	-	10,741
Share-based payments to employees	-	-	-	-	-	522	-	-	-	522
At 30 June 2010	237,083	164	-	14,233	5,987	2,021	285	41,058	(17,791)	283,040

RESOLUTE MINING LIMITED
FINANCIAL REPORT
For the year ended 30 June 2010

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Ordinary shares	Net unrealised gain/(loss) reserve	Hedge reserve put options gain/(loss)	Hedge reserve forwards gain/(loss)	Convertible notes equity reserve	Share options equity reserve	Employee equity benefits reserve	Foreign currency translation reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2008	171,867	63	(42)	9,490	-	-	1,103	(9,183)	47,555	220,853
Net (loss)/profit for the year	-	-	-	-	-	-	-	-	30,676	30,676
Other comprehensive income, net of tax	-	301	42	(4,147)	-	-	-	9,816	-	6,012
Total comprehensive profit/(loss) for the period, net of tax	-	301	42	(4,147)	-	-	-	9,816	30,676	36,688
Transactions with owners										
Shares issued	40,411	-	-	-	-	-	-	-	-	40,411
Share issue costs	(2,598)	-	-	-	-	-	-	-	-	(2,598)
Options issued to convertible note holders and shareholders, net of tax	-	-	-	-	-	4,064	-	-	-	4,064
Equity portion of compound financial instruments, net of tax and transaction costs	-	-	-	-	3,492	-	-	-	-	3,492
Share-based payments to employees	-	-	-	-	-	-	396	-	-	396
At 30 June 2009	209,680	364	-	5,343	3,492	4,064	1,499	633	78,231	303,306

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

RESOLUTE MINING LIMITED
FINANCIAL REPORT
For the year ended 30 June 2010

CONSOLIDATED CASH FLOW STATEMENT

	Note	As at 30-Jun-10 \$'000	As at 30-Jun-09 \$'000
Cash flows from operating activities			
Receipts from customers		325,447	294,106
Payments to suppliers and employees		(273,080)	(226,139)
Interest received		290	425
Interest and other costs of finance paid		(3,188)	(3,776)
Proceeds from the sale of gold call options		-	1,569
Expenditure on exploration		(9,280)	(10,861)
Income tax paid		(8,398)	-
Net operating cash flows	28	<u>31,791</u>	<u>55,324</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(13,280)	(24,377)
Proceeds from sale of property, plant and equipment		48	315
Proceeds from the sale of subsidiaries	37	284	-
Proceeds from sale of available for sale financial assets		-	802
Expenditure on evaluation and development areas		(41,053)	(150,289)
Royalties received		-	3,234
Proceeds from the Challenger royalty		-	10,033
Net investing cash flows		<u>(54,001)</u>	<u>(160,282)</u>
Cash flows from financing activities			
Proceeds from issues of ordinary shares		18,900	37,033
Cost of issuing ordinary shares		(1,038)	(5,297)
Proceeds from issues of convertible notes		23,864	51,722
Cost of issuing convertible notes		(1,332)	-
Proceeds from issuing options		1,322	-
Cost of issuing options		(67)	-
Proceeds from borrowings		-	24,978
Repayment of borrowings		(11,815)	(24,862)
Repayment of lease liability		(2,561)	(2,707)
Net financing cash flows		<u>27,273</u>	<u>80,867</u>
Net increase/(decrease) in cash and cash equivalents		5,063	(24,091)
Cash and cash equivalents at beginning of period		6,880	29,731
Exchange rate adjustment		(43)	1,240
Cash and cash equivalents at end of period	5	<u><u>11,900</u></u>	<u><u>6,880</u></u>

NOTES TO THE FINANCIAL STATEMENTS

CORPORATE INFORMATION

The financial report of Resolute Mining Limited ("consolidated entity" or the "Group") for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Directors on 21 September 2010.

Resolute Mining Limited (the parent) is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The principal activities of entities within the consolidated entity during the year were:

- Gold mining; and,
- prospecting and exploration for minerals.

There has been no significant change in the nature of those activities during the year.

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes financial information for Resolute Mining Limited ("RML") as an individual entity and the consolidated entity consisting of RML and its subsidiaries. Where appropriate, comparative information has been reclassified.

(a) Basis of Preparation

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

Compliance statement

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Accounting policies adopted are consistent with those of the previous year except as disclosed below (Note 1(ad)).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

Syama gold mine – Future cash flow requirements

As at the date of signing the financial statements, the Syama Gold Mine is in the process of being ramped up to normal levels of consistent commercial production. The Group's working capital requirements are sensitive to the Syama Gold Mine plant optimisation and ultimately the assumed ounces of gold to be produced on a monthly basis. Any material delays in the plant optimisation process could adversely impact the Group's forecast cash flows.

Subsequent to year end, the Group has announced a capital raising of \$40 million before costs. These funds are primarily to be used to close out a number of the Group's outstanding gold derivatives and to provide additional working capital to the Group.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Principles of consolidation

(i) *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of RML as at 30 June 2010 and the results of all subsidiaries for the year then ended. RML and its subsidiaries together are referred to in this financial report as the "Group" or the "consolidated entity". Interests in associates are equity accounted and are not part of the consolidated Group.

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

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

Intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) *Joint Ventures*

Jointly controlled assets

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings.

(c) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the level of segment information presented to the board of directors.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately.

However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category.

(d) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Australian dollars, which is Resolute Mining Limited's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Revenue recognition

(i) *Gold sales*

Revenue is recognised when the risk and reward of ownership has passed from the Group to an external party and the selling price can be determined with reasonable accuracy. Sales revenue represents gross proceeds receivable from the customer. Certain sales are initially recognised at estimated sales value when the gold is dispatched.

Revenue from the sale of by-products such as silver is included in sales revenue.

(ii) *Interest*

Revenue is recognised as interest accrues using the effective interest method.

(f) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed and are included in profit or loss as part of borrowing costs.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the period.

(g) Income tax

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

Deferred income tax is provided on all temporary differences at the consolidated statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit or loss; and,
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income tax assets are recognised for all deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses, to the extent it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit or loss; and,
- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Tax consolidation legislation

RML and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2002.

Goods and Services Tax

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

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

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

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

(h) Earnings per share ("EPS")

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

Diluted EPS is calculated as the net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and,

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

Divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held at financial institutions at call. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

(j) Receivables

Trade receivables are recognised at fair value less a provision for any uncollectible debts. Trade receivables are due for settlement no more than 30 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the transaction. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated statement of comprehensive income.

Receivables from related parties are recognised and carried at the nominal amount due. Where interest is charged it is taken up as income in profit and loss and included in other income.

(k) Inventories

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

Consumables have been valued at cost less an appropriate provision for obsolescence. Cost is determined on a first-in-first-out basis.

(l) Investments and other financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the consolidated statement of financial position date.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the consolidated statement of financial position date which are classified as non-current assets. Loans and receivables are included in receivables in the consolidated statement of financial position.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the consolidated statement of financial position date.

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the consolidated statement of comprehensive income in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the consolidated statement of comprehensive income as gains and losses from investment securities.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the consolidated statement of comprehensive income. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

(m) Investments in associates

The Group's investment in associates is accounted for using the equity method of accounting in the consolidated financial statements and at cost. An associate is an entity over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

The Group generally deems they have significant influence if they have over 20% of voting rights.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates. Goodwill included in the carrying amount of the investment in associate is not tested separately, rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment is recognised, the amount is not allocated to the goodwill of the associate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's statement of comprehensive income as a component of other income.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group makes any adjustments to the performance and position of the associate where appropriate in order to allow for differences in the accounting policies of the Group and those of the associate.

(n) Derivatives

The Group uses derivative financial instruments such as gold options; gold forward contracts and interest rate swaps to manage the risks associated with commodity price and interest rate fluctuations.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The fair value of derivative financial instruments that are traded on an active market is based on quoted market prices at the consolidated statement of financial position date. The fair value of financial instruments not traded on an active market is determined using appropriate valuation techniques.

At the inception of the transaction, the Group documents the relationship between hedge instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. Refer to Note 36 for treatment of the Group's gold contracts.

(i) *Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of comprehensive income.

Amounts accumulated in equity are recycled in the consolidated statement of comprehensive income in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of comprehensive income.

(iii) *Derivatives that do not qualify for hedge accounting*

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the consolidated statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Deferred mining costs

In mining operations, it is necessary to remove overburden and other barren waste materials to access ore from which minerals can economically be extracted. The process of mining overburden and waste materials is referred to as stripping. Stripping costs incurred before production commences are included within capitalised mine development expenditure and subsequently amortised. The Group defers stripping costs incurred subsequently during the production stage of operation.

Stripping ratios are a function of the quantity of ore mined compared with the quantity of overburden, or waste required to be removed to mine the ore. Deferral of the post production costs to the consolidated statement of financial position is made, where appropriate, when actual stripping ratios vary from average life of mine ratios. Deferral of costs to the consolidated statement of financial position is not made when the waste to ore ratio is expected to be consistent throughout the life of the mine.

Costs which have previously been deferred to the consolidated statement of financial position are recognised in the Consolidated statement of comprehensive income on a unit of production basis utilising average stripping ratios. Changes in estimates of average stripping ratios are accounted for prospectively from the date of the change.

As it is not possible to separately identify cash inflows relating to deferred overburden removal costs, such assets are grouped with other assets or a cash generating unit for the purposes of undertaking impairment assessments, where necessary, based on future cash flows for the operation as a whole.

(p) Mineral exploration and evaluation interests

Exploration expenditure is expensed to the consolidated statement of comprehensive income as and when it is incurred and included as part of cash flows from operating activities. Exploration costs are only capitalised to the consolidated statement of financial position if they result from an acquisition.

Evaluation expenditure is capitalised to the consolidated statement of financial position. Evaluation is deemed to be activities undertaken from the beginning of the pre-feasibility study conducted to assess the technical and commercial viability of extracting a mineral resource before moving into the Development phase (see note 1(q) Development expenditure). The criteria for carrying forward the costs are:

- Such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- evaluation activities in the area of interest which has not yet reached a state 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 are continuing.

Costs carried forward in respect of an area of interest which is abandoned are written off in the year in which the abandonment decision is made.

(q) Development expenditure

(i) *Areas in Development*

Areas in development represent the costs incurred in preparing mines for production including the required plant infrastructure. The costs are carried forward to the extent that these costs are expected to be recouped through the successful exploitation of the Company's mining leases.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Areas in Production

Areas in production represent the accumulation of all acquired exploration, evaluation and development expenditure incurred by or on behalf of the entity in relation to areas of interest in which economic mining of a mineral reserve has commenced. Amortisation of costs is provided on the unit-of-production method, with separate calculations being made for each mineral resource. The unit-of-production basis results in an amortisation charge proportional to the depletion of the economically recoverable mineral reserves.

The net carrying value of each mine property is reviewed regularly and, to the extent to which this value exceeds its recoverable amount, that excess is fully provided against in the financial year in which this is determined.

(r) Property, plant and equipment

(i) Cost and Valuation

Property, plant and equipment are stated at cost less any accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises:

- Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates;
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and,
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

(ii) Depreciation

Depreciation is provided on a straight-line basis on all property plant and equipment other than land. Major depreciation periods are:

	Life	Method
Motor vehicles	3 years	Straight line
Office equipment	3 years	Straight line
Plant and equipment	Life of mine years	Straight line

(iii) Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Leases

Finance leases, which effectively transfer to the consolidated entity all of the risks and benefits incidental to ownership of the leased item, are capitalised at the present value of the minimum lease payments, disclosed as leased property, plant and equipment, and amortised over the period the consolidated entity is expected to benefit from the use of the leased assets. Lease payments are allocated between interest expense and reduction in the lease liability.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charges directly against income.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiation of an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the consolidated statement of comprehensive income over the lease term.

(t) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

(u) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired.

Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which it belongs.

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 that asset.

(v) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accruals basis.

(w) Interest-bearing liabilities

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest bearing liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised and as well as through the amortisation process. Treatment of borrowing costs is outlined in note 1(f).

The component of convertible notes that exhibit characteristics of a liability are recognised as a liability in the consolidated statement of financial position, net of transaction costs.

On issuance of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and that amount is carried as a long-term liability on an amortised cost basis until extinguished on conversion or redemption. The accretion of the liability due to the passage of time is recognised as a finance cost.

Compound financial instruments

The remainder of the proceeds received from the issue of the convertible notes are allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not re-measured in subsequent periods.

Interest on the liability component of the instruments is recognised as an expense in the consolidated statement of comprehensive income except for when the borrowing costs are associated with a qualifying asset, in which case the borrowing costs are capitalised and amortised over the useful life of the qualifying asset.

Transaction costs relating to the convertible note issues are apportioned between the liability and equity components of the convertible notes, based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(x) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, 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.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

The consolidated entity records the present value of the estimated cost of legal and constructive obligations (such as those under the consolidated entity's Environmental Policy) to restore operating locations in the period in which the obligation is incurred. The nature of restoration activities includes dismantling and removing structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and revegetation of affected areas.

Typically the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related mining assets. Over time, the liability is increased for the change in the present value based on the discount rates that reflect the current market assessments and the risks specific to the liability. Additional disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation liability when incurred.

(y) Employee benefits

(i) *Wages, Salaries and Annual Leave*

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

(ii) *Long service leave*

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) *Termination Gratuity and Relocation*

Liabilities for Termination Gratuity and Relocation payments are recognised and are measured as the present value of expected future payments to be made in respect of employees up to the reporting date.

(iv) *Share based payments*

Equity-based compensation benefits are provided to employees via the Group's share option plan. The Group determines the fair value of options issued to directors, executives and members of staff as remuneration and recognises that amount as an expense in the consolidated statement of comprehensive income over the vesting period with a corresponding increase in equity.

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

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

(v) *Superannuation*

Contributions made by the Group to employee superannuation funds are charged to the consolidated statement of comprehensive income in the period employees' services are provided.

(z) *Contributed equity*

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(aa) *Financial Guarantees*

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

(ab) *Significant accounting judgements*

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Determination of mineral resources and ore reserves

The determination of reserves impacts the accounting for asset carrying values, depreciation and amortisation rates, deferred stripping costs and provisions for decommissioning and restoration. The information in this report as it relates to ore reserves, mineral resources or mineralisation is reported in accordance with the Aus.IMM "Australian Code for reporting of Identified Mineral Resources and Ore Reserves". The information has been prepared by or under supervision of competent persons as identified by the Code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

(ac) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Impairment of capitalised mine development expenditure

The future recoverability of capitalised mine development expenditure is dependent on a number of factors, including the level of proved and probable reserves and measured, indicated and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised mine development expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

(ii) Life-of-mine stripping ratio

The Group has adopted a policy of deferring production stage stripping costs and amortising them in accordance with the life-of-mine strip ratio. Significant judgement is required in determining this ratio for each mine. Factors that are considered include:

- Any proposed changes in the design of the mine;
- estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices; and,
- future cash costs of production and capital expenditure.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Provisions for decommissioning and restoration costs

Decommissioning and restoration costs are a normal consequence of mining, and the majority of this expenditure is incurred at the end of a mine's life. In determining an appropriate level of provision consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the mine), and the estimated future level of inflation.

The ultimate cost of decommissioning and restoration is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine-sites. The expected timing of expenditure can also change, for example in response to changes in reserves or to production rates.

Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results.

(iv) Recoverability of potential deferred income tax assets

The Group recognises deferred income tax assets in respect of tax losses and temporary differences to the extent that it is probable that the future utilisation of these losses and temporary differences is considered probable. Assessing the future utilisation of these losses and temporary differences requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, this could result in significant changes to the deferred income tax assets recognised, which would in turn impact future financial results.

(v) Share based payments

The Group measures the cost of cash settled transactions with employees by reference to the fair value at the grant date using the Black Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 31(b).

(vi) Fair value of derivative financial instruments

The Group assesses the fair value of its financial derivatives in accordance with the accounting policy stated in Note 1(n). Fair values have been determined based on well established valuation models and market conditions existing at the balance date. These calculations require the use of estimates and assumptions. Changes in assumptions concerning interest rates, gold prices and volatilities could have significant impact on the fair valuation attributed to the Group's financial derivatives. When these assumptions change or become known in the future, such differences will impact asset and liability carrying values in the period in which they change or become known.

(vii) Significant estimate in determining the beginning of production

Considerations are made in the determination of the point at which development ceases and production commences for a mine development project. This point determines the cut-off between pre-production and production accounting.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group ceases capitalising pre-production costs and begins depreciation and amortisation of mine assets at the point commercial production commences. This is based on the specific circumstances of the project, and considers when the mine's plant becomes 'available for use' as intended by management. Determining when the production start date is achieved is an assessment made by management and includes the following factors:

- the level of redevelopment expenditure compared to project cost estimates;
- completion of a reasonable period of testing of the mine plant and equipment;
- mineral recoveries, availability and throughput levels at or near expected/budgeted levels;
- the ability to produce gold into a saleable form (where more than an insignificant amount is produced); and,
- the achievement of continuous production.

Any revenues occurring during the pre-production period are capitalised and offset the capitalised development costs.

(ad) New accounting standards and UIG interpretations

(i) The following new and amended Australian Accounting Standards and AASB interpretations have been adopted by the Group as of 1 July 2009.

- AASB 3 *Business Combinations* (revised 2008);
- AASB 7 *Financial Instruments: Disclosures*;
- AASB 8 *Operating Segments*;
- AASB 101 *Presentation of Financial Statements* (revised 2008);
- AASB 123 *Borrowing Costs* (revised 2007);
- AASB 127 *Consolidated and Separate Financial Statements* (revised 2008);
- AASB Interpretation 16 - *Hedges of a Net Investment in a Foreign Operation*;
- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations*;
- AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]*;
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*;
- AASB 2008-6 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Project*;
- AASB 2008-7 *Amendments to Australian Accounting Standards – Costs of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*;
- AASB 2009-3 *Amendments to Australian Accounting Standards – Embedded Derivatives [AASB 139 and Interpretation 9]*;
- AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*;
- The Group has elected to early adopt the amendment to AASB 107 *Cash Flow Statements* arising from AASB 2009-5 *Further Amendments to Australian Accounting Standards* arising from the *Annual Improvement Project*; and,
- AASB 2009-7 *Amendments to Australian Accounting Standards*.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other amendments resulting from the Annual Improvement Project to the following Standards did have an impact on the accounting policies, financial position or performance of the Group as follows:

AASB 3 Business Combinations (revised 2008) and AASB 127 Consolidated and Separate Financial Statements (revised 2008)

AASB-3 (revised 2008) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interests (previously "minority interests"), the accounting for transactions costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period when an acquisition occurs and future reported results.

AASB 127 (revised 2008) requires that a change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the statement of comprehensive income. Furthermore the revised Standard changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary.

The changes in AASB 3 (revised 2008) and AASB 127 (revised 2008) will affect future acquisitions, changes in, and loss of control of, subsidiaries and transactions with non-controlling interests.

AASB 101 Presentation of Financial Statements

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

AASB 107 Statement of Cash Flows

The amendment to the Standard arising from the Annual Improvement Project requires that only expenditure resulting in the recognition of an asset in the Statement of Financial Position is eligible for classification as investing activities in the Statement of Cash Flows. The adoption of the amendment has resulted in the reclassification of exploration and evaluation expenditure amounting to \$9.3m (2009: \$10.9m) from investing to operating activities in the consolidated Cash Flow Statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) The following new accounting standards have been issued or amended but are not yet effective. These standards have not been adopted by the Group for the period ended 30 June 2010, and no change to the Group's accounting policy is required:

Reference	Title	Summary	Application date of standard*	Application date for Group
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following: The amendment to AASB 117 removes the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible vs. property, plant and equipment) needs to be determined. The Group has elected to early adopt the amendment to AASB 107 arising from AASB 2009-5.	1 January 2010. Note, Refer Note 1(ad)(i) for early adoption of amendment to AASB 107 Statement of Cash Flows as a result of the Annual Improvements Project.	1 July 2010
AASB 2009-8	Amendments to Australian Accounting Standards arising from AASB 2	The amendments require that an entity receiving goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction in shares or cash.	1 January 2010	1 July 2010

NOTES TO THE FINANCIAL STATEMENTS

Reference	Title	Summary	Application date of standard*	Application date for Group
AASB 2009-10	Amendments to Australian Accounting Standards arising from AASB 132	The amendment to AASB 132 classifies rights issues and certain options and warrants as equity instruments rather than financial liabilities. This will result in previously the reversal of amounts that were previously recognised in the consolidated statement of comprehensive income.	1 February 2010	1 July 2010
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9	The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes: a) Two categories of financial assets being amortised cost or fair value each with strict identification, reclassification and disclosure requirements. b) Removal of the requirement to separate embedded derivatives in financial assets. c) Option to recognise fair value changes on equity instruments not held for trading through other comprehensive income with no impairment testing.	1 January 2013	1 July 2013
AASB 2009-12	Amendments to Australian Accounting Standards	The amendments make editorial changes across a range of Australian Accounting Standards including AASB 8.	1 January 2011	1 July 2011

NOTES TO THE FINANCIAL STATEMENTS

Reference	Title	Summary	Application date of standard*	Application date for Group
AASB 2010-4 AASB 2010-3 (Annual Improvement Project)	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarify that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	July 2011
AASB 124 (Revised)	Amendments to Australian Accounting Standards arising from AASB124	The amendments to AASB 124 adopt a less complex approach to identifying related parties.	1 January 2011	1 July 2010
AASB 9	Financial Instruments	The new standard constitutes Phase 1 of the IASB's project to replace IAS 39. AASB 9 outlines new classification and measurement requirements for financial assets.	1 January 2013	1 July 2013

NOTES TO THE FINANCIAL STATEMENTS

Reference	Title	Summary	Application date of standard*	Application date for Group
AASB 1053	Application of Tiers of Australian Accounting Standards	This new standard introduces a 2 tier approach in outlining requirements of general purpose financial report. The 2 tiers are: a) Australian Accounting Standards; and b) Australian Accounting Standards – Reduced Disclosure requirements.	1 July 2013	1 July 2013
Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	This interpretation clarifies that equity instruments issued to extinguish a financial liability are “consideration paid” in accordance with IAS 39(41) and will result in derecognition of the financial liability. The interpretation also states that the equity instruments issued in a debt for equity swap should be valued at fair value if this can be determined reliably. If not, the fair value of the equity instruments is measured at the fair value of the financial liability that is extinguished pursuant to the swap.	1 July 2010	1 July 2010

The impact of the adoption of these new and revised standards and interpretations has not been determined by the Company.

*designates the beginning of the applicable annual reporting period unless otherwise stated

The following new accounting standards have been issued or amended but are deemed not applicable to the Group and therefore have no impact:

- AASB 2009-9 – Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards;
- AASB 2009-13 – Amendments to Australian Accounting Standards arising from Interpretation 19;
- AASB 2009-14 – Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement;
- AASB 2010-1 – Amendments to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters; and,
- AASB 2010-2 – Amendments to Australian Accounting Standards arising from reduced disclosure requirements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: (LOSS)/PROFIT FROM CONTINUING OPERATIONS

		Consolidated	
		For the year ended 30-Jun-10 \$'000	For the year ended 30-Jun-09 \$'000
(a)	Revenue from gold sales		
	Gold sales at spot price (i)	393,936	329,587
	Realised loss on gold forward contracts	(59,084)	(35,859)
		334,852	293,728
	Amortisation of the gold forward contract hedge reserve	7,632	5,985
		342,484	299,713
i) Proceeds received on the sale of gold produced at the Syama project up until 31 December 2009 were capitalised into pre-production costs.			
(b)	Costs of production relating to gold sales		
	Costs of production (excluding gold in circuit inventories movement) (i)	234,139	199,202
	Gold in circuit inventories movement	(5,132)	1,387
		229,007	200,589
i) Costs incurred on the production of gold at the Syama project up until 31 December 2009 were capitalised into pre-production costs.			
(c)	Depreciation and amortisation relating to gold sales		
	Amortisation of evaluation, development & rehabilitation costs	18,445	10,252
	Depreciation of mine site properties, plant & equipment	24,696	17,326
		43,141	27,578
(d)	Other operating costs relating to gold sales		
	Royalty expense	13,232	9,306
	Operational support costs	3,333	3,354
		16,565	12,660

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: (LOSS)/PROFIT FROM CONTINUING OPERATIONS (continued)

		Consolidated	
		For the year ended 30-Jun-10 \$'000	For the year ended 30-Jun-09 \$'000
(e)	Other revenue		
	Interest income - other persons/corporations	294	425
	Royalty income	-	1,208
		<u>294</u>	<u>1,633</u>
(f)	Other income		
	Rehabilitation provision adjustment from non operating mine sites	726	-
	Profit on sale of subsidiaries (i), (Note 37)	7,208	-
	Profit on sale of Challenger Royalty (ii)	-	10,033
	Realised gain on gold call options	1,522	-
	Profit on sale of property, plant and equipment	1,934	-
	Other	230	825
		<u>11,620</u>	<u>10,858</u>

i) On 7 May 2010, Resolute disposed of a number of Australian and Ghanaian subsidiaries to Viking Ashanti Limited. Proceeds received comprised of 23 million shares in Viking Ashanti Limited and a cash component. As a result of this transaction, Resolute holds 33.25% of the ordinary shares of Viking Ashanti Limited.

ii) On 5 February 2009, Resolute Resources Pty Ltd, a wholly owned subsidiary of Resolute Mining Limited, reached agreement with Dominion Gold Operations Pty Ltd to sell its Challenger Royalty for \$10.6m. The profit on sale of the royalty is net of selling costs of \$0.57m.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: (LOSS)/PROFIT FROM CONTINUING OPERATIONS (continued)

	Consolidated	
	For the year ended 30-Jun-10 \$'000	For the year ended 30-Jun-09 \$'000
(g) Administration and other expenses		
Other management and administration expenses	4,297	3,430
Non mine site insurance costs	737	1,331
Operating lease expenses	512	480
Loss on sale of property, plant and equipment	-	134
Loss on sale of available for sale financial assets	28	436
Share based payments expense	522	396
Rehabilitation provision adjustment from non operating mine sites	-	217
Depreciation of non mine site assets	271	183
Realised loss on gold put options	-	2,397
Realised foreign exchange loss	1,327	1,765
Impairment of accounts receivable	-	3,180
Impairment of available for sale financial assets (i)	-	3,140
Impairment of acquired exploration and evaluation assets (ii)	-	10,172
Other	1,209	303
	<u>8,903</u>	<u>27,564</u>

i) The amounts previously charged to the reserve relating to available for sale financial assets were impaired and recognised in the consolidated statement of comprehensive income.

ii) The acquired exploration asset resulting from the acquisition of Carpentaria Gold Pty Ltd (a 100% owned subsidiary of RML) had been impaired in the year ended 30 June 2009 and recognised in the consolidated statement of comprehensive income, as the foreseeable exploration expenditure program in that area of interest reduced.

(h) Finance costs

Interest and fees paid/payable to other entities	10,701	3,070
Rehabilitation provision discount adjustment	519	999
	<u>11,220</u>	<u>4,069</u>

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: (LOSS)/PROFIT FROM CONTINUING OPERATIONS (continued)

		Consolidated	
		For the year ended 30-Jun-10 \$'000	For the year ended 30-Jun-09 \$'000
(i)	Treasury - unrealised (losses)/gains		
	Unrealised gain on gold forward contracts	2,077	12,140
	Unrealised loss on gold put options	(5,467)	(118)
	Unrealised (loss)/gain on gold call options	(1,393)	1,393
	Unrealised foreign exchange gain/(loss)	3,351	(12,591)
	Unrealised foreign exchange (loss)/gain on loans with subsidiaries	(74,544)	317
		<u>(75,976)</u>	<u>1,141</u>
(j)	Employee benefits		
	Salaries	42,085	31,310
	Superannuation	2,553	2,482
	Share based payments expense	522	396
		<u>45,160</u>	<u>34,188</u>

NOTE 3: INCOME TAX

(a) Income tax expense/(benefit) attributable to continuing operations

Current tax expense	9,798	-
Deferred tax expense/(benefit)	3,897	(1,475)
Income tax expense/(benefit) attributable to (loss)/profit from continuing operations	13,695	(1,475)
Withholding tax	2,924	141
Total tax expense/(benefit)	<u>16,619</u>	<u>(1,334)</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: INCOME TAX (continued)

	Consolidated	
	For the year ended 30-Jun-10 \$'000	For the year ended 30-Jun-09 \$'000
(b) Numerical reconciliation of income tax (benefit)/expense to prima facie tax expense/(benefit)		
Profit/(loss) from continuing operations before income tax expense	(39,952)	29,342
Withholding tax	(2,923)	(141)
Profit/(loss) from continuing operations including withholding tax before income tax expense	(42,875)	29,201
Prima facie income tax expense/(benefit) at 30% (2009: 30%)	(12,863)	8,760
Add/(deduct):		
- tax losses and other temporary differences not recognised as benefit not probable/(recognised) to offset deferred tax liabilities	27,142	(10,575)
- foreign exchange gain on investment in subsidiaries	(566)	(167)
- effect of share based payments expense not deductible	157	119
- other	(175)	388
Income tax expense/(benefit) attributable to net (loss)/profit	13,695	(1,475)
(c) Amounts recognised directly in equity		
Amounts (credited)/debited directly to equity	(925)	1,479
(d) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised (potential tax benefit at the prevailing tax rates of the respective jurisdictions)	170,682	164,955

A deferred income tax asset has not been recognised for these amounts at balance date as realisation of the benefit is not regarded as probable. The future benefit will only be obtained if:

- (i) future assessable income is derived of a nature and an amount sufficient to enable the benefit to be realised;
- (ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and,
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: INCOME TAX (continued)

(e) Unrecognised temporary differences

As at 30 June 2010, aggregate unrecognised temporary differences of \$0.09m (2009: \$0.3m) are in respect of investments in foreign controlled entities for which no deferred tax assets have been recognised for amounts which arise upon translation of their financial statements.

	Consolidated	
	As at 30-Jun-10 \$'000	As at 30-Jun-09 \$'000
(f) Movements in the deferred tax assets balance		
Balance at the beginning of the year	-	-
Credited to equity	2,376	1,777
Charged to the income statement	(2,376)	(1,782)
Foreign exchange	-	5
Balance as at the end of the year	-	-

The deferred tax assets balance comprises temporary differences attributable to:

Other financial assets	133	-
Available for sale financial assets	250	216
Property, plant and equipment	1,673	-
Interest bearing liabilities	26,551	-
Financial derivative liabilities	33,930	34,592
Provisions	9,012	8,617
Other	903	444
Tax losses recognised (i)	5,982	9,037
Temporary differences not recognised	(53,682)	(33,736)
	24,752	19,170
Set off of deferred tax liabilities pursuant to set off provisions	(24,752)	(19,170)
Net deferred tax assets	-	-

i) This amount includes tax losses recognised against deferred tax liabilities in foreign entities of \$1.8m (2009: \$9.0m).

(g) Movements in the deferred tax liabilities balance

Balance at the beginning of the year	-	-
Charged to equity	1,452	3,257
Credited to the income statement	1,520	(3,257)
Foreign exchange	77	-
Balance as at the end of the year	3,049	-

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: INCOME TAX (continued)

	Consolidated	
	As at 30-Jun-10 \$'000	As at 30-Jun-09 \$'000
The deferred tax liabilities balance comprises temporary differences attributable to:		
Receivables	49	-
Inventories	-	40
Mineral exploration and development interests	16,832	13,054
Property, plant and equipment	3,142	901
Financial derivative assets	297	1,937
Interest bearing liabilities	7,473	3,238
Other	8	-
	27,801	19,170
Set off of deferred tax liabilities pursuant to set off provisions	(24,752)	(19,170)
Net deferred tax liabilities	3,049	-

(h) The equity balance comprises temporary differences attributable to:

Hedge reserve - forwards	-	2,290
Convertible notes equity reserve	2,124	1,496
Option equity reserve	2,566	1,742
Unrealised gain/(loss) reserve	70	156
Net temporary differences in equity	4,760	5,684

(i) Tax consolidation

Resolute Mining Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation on 1 July 2002. On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement, which limits the joint and several liability of the wholly owned entities in the case of a default by the head entity, Resolute Mining Limited.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Resolute Mining Limited for any current tax payable assumed and are compensated by Resolute Mining Limited for any current tax receivable. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements. The head entity and controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: INCOME TAX (continued)

The amount receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable/payable which is at call.

NOTE 4: DIVIDENDS PAID OR PROVIDED FOR

For the year ended 30-Jun-10 \$'000	For the year ended 30-Jun-09 \$'000
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There were no dividends paid or provided for during the year.

FRANKING CREDITS

The amount of franking credits available for subsequent financial years is as follows. The amount has been determined using a tax rate of 30%.

7,417	7,417
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NOTE 5: CASH

	Consolidated	
	As at 30-Jun-10 \$'000	As at 30-Jun-09 \$'000
Cash at bank and in hand	18,259	12,660
Short-term deposits	-	41
	<u>18,259</u>	<u>12,701</u>

Reconciliation to cash flow statement

For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 30 June:

Cash at bank and in hand	18,259	12,660
Short-term deposits	-	41
Bank overdraft (Note 17)	(6,359)	(5,821)
	<u>11,900</u>	<u>6,880</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates.

The fair value of cash and cash equivalents is equal to their book value.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: RECEIVABLES

	Consolidated	
	As at 30-Jun-10 \$'000	As at 30-Jun-09 \$'000
Current		
Sundry debtors (a)	8,390	4,555
Allowance for impairment loss	(1,857)	(159)
	<u>6,533</u>	<u>4,396</u>
Non Current		
Sundry debtors	7,070	8,737
Allowance for impairment loss	(2,987)	(3,180)
	<u>4,083</u>	<u>5,557</u>

- a) Current sundry debtors are non interest bearing and are generally on 30-60 day terms. A provision for doubtful debt is recognised when there is objective evidence that the Group may not be able to collect all amounts due according to original terms of the transaction.

Receivables past due but not considered impaired are \$3.8m (2009: \$8.4m). Payment terms on these amounts have not been re-negotiated, however the Group maintains direct contact with the relevant debtor and is satisfied that payment will be received in full.

Movements in the allowance for impairment losses were as follows:

At start of year	(3,339)	(5,685)
Charge for the year	(918)	(3,180)
Amount reversed	-	5,542
Foreign exchange translation	(587)	(16)
At end of year	<u>(4,844)</u>	<u>(3,339)</u>

As at 30 June 2010, the aging analysis of current and non current sundry debtors is as follows:

0-30 days	3,511	1,266
31-60 days	3,344	242
61-90 days (Past due but not impaired)	3,241	36
+91 days (Past due but not impaired)	520	8,409
+91 days (Considered impaired)	4,844	3,339
Total	<u>15,460</u>	<u>13,292</u>

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: INVENTORIES

	Consolidated	
	As at 30-Jun-10 \$'000	As at 30-Jun-09 \$'000
Gold in circuit		
-At cost	10,899	24,216
-At net realisable value	14,672	-
Total gold in circuit	25,571	24,216
Consumables at cost	42,112	44,739
Ore stockpiles		
-At cost	14,477	6,310
-At net realisable value	3,594	-
Total ore stockpiles	18,071	6,310
	85,754	75,265

NOTE 8: AVAILABLE FOR SALE FINANCIAL ASSETS

Shares at fair value - listed	818	1,107
	818	1,107

Available for sale financial assets consist of investments in ordinary shares, and therefore have no maturity date or coupon rate.

In the year ended 30 June 2009, the consolidated entity sold a portion of its shareholding in a listed company. \$0.4m was released from the unrealised gain/loss reserve. Refer to Note 2(g) for amounts impaired during 2009.

NOTE 9: FINANCIAL DERIVATIVE ASSETS

Current

Gold put options (Note 36)	89	-
	89	-

Non Current

Gold put options (Note 36)	901	6,457
	901	6,457

RESOLUTE MINING LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 10: OTHER ASSETS

	Consolidated	
	As at 30-Jun-10 \$'000	As at 30-Jun-09 \$'000
Current		
Prepayments	3,866	6,258
	<u>3,866</u>	<u>6,258</u>
Non Current		
Prepayments (a)	-	1,408
	<u>-</u>	<u>1,408</u>

a) Amount represents the non-current portion of monies paid in connection with mining operations for the Syama gold mine.

NOTE 11: EXPLORATION AND EVALUATION EXPENDITURE - AT COST

The consolidated entity has the following gold mineral exploration and evaluation expenditure carried forward in respect of areas of interest:

Areas in exploration and evaluation (at cost)

Balance at the beginning of the year	8,928	15,406
- Expenditure during the year	1,448	2,178
- Transfers from/(to) areas in production or development	656	(526)
- Other transfers	353	36
- Impaired during the year	-	(10,172)
- Foreign currency translation	(406)	2,006
- Disposals during the year	(9)	-
Balance at the end of the year	<u>10,970</u>	<u>8,928</u>

Ultimate recoupment of costs carried forward, in respect of areas of interest in the exploration and evaluation phase, is dependent upon the successful development and commercial exploitation, or alternatively the sale of the respective areas at an amount at least equivalent to the carrying value. For areas which do not meet the criteria of the accounting policy per Note 1(p), those amounts are charged to the consolidated statement of comprehensive income.

RESOLUTE MINING LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 12: DEVELOPMENT EXPENDITURE

	Consolidated	
	As at	As at
	30-Jun-10	30-Jun-09
	\$'000	\$'000
Areas in development (at cost)		
Balance at the beginning of the year	341,788	206,764
- Additions	71,535	161,333
- Syama gold mine preproduction gold sales	(38,253)	(14,495)
- Transfers (to)/from property, plant & equipment	(143,489)	2,887
- Transfers to areas in exploration and evaluation	(707)	-
- Transfers to areas in production	(206,004)	-
- Transfers to inventories	(1,636)	(16,306)
- Foreign currency translation	(23,234)	1,605
Balance at the end of the year	-	341,788
Areas in production (at cost)		
Balance at the beginning of the year	57,628	46,961
- Additions	11,354	15,049
- Transfers from areas in development	206,004	-
- Transfer from inventory	5,451	-
- Transfers from areas in exploration and evaluation	51	526
- Amount amortised during the year	(12,929)	(7,346)
- Foreign currency translation	(38,362)	1,117
- Adjustments to rehabilitation obligations	1,833	1,321
Balance at the end of the year	231,030	57,628
Total development expenditure	231,030	399,416

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 13: PROPERTY, PLANT & EQUIPMENT

Consolidated	Buildings \$'000	Plant & Equipment \$'000	Motor Vehicles \$'000	Office Equipment \$'000	Plant and Equipment under Lease \$'000	Total \$'000
30 June 2010						
At 1 July 2009 net of accumulated depreciation	2,871	86,963	2,165	1,204	6,932	100,135
Additions	607	10,353	485	2,003	21	13,469
Transfers from areas in development	4,083	137,265	1,400	741	-	143,489
Disposals	-	(15)	(7)	(13)	-	(35)
Depreciation expense	(872)	(23,086)	(610)	(480)	(2,897)	(27,945)
Foreign exchange translation	(20)	(7,457)	(275)	(87)	-	(7,839)
At 30 June 2010 net of accumulated depreciation	6,669	204,023	3,158	3,368	4,056	221,274
30 June 2010						
Cost	11,318	290,201	5,719	5,012	12,517	324,767
Accumulated depreciation	(4,649)	(86,178)	(2,561)	(1,644)	(8,461)	(103,493)
Net carrying amount	6,669	204,023	3,158	3,368	4,056	221,274
Consolidated						
30 June 2009						
At 1 July 2008 net of accumulated depreciation	3,078	86,835	1,201	527	3,797	95,438
Additions	285	13,855	1,553	979	5,151	21,823
Transfers to development expenditure, and other	-	(2,887)	-	-	-	(2,887)
Disposals	(9)	(430)	(6)	(4)	-	(449)
Depreciation expense	(589)	(14,052)	(569)	(283)	(2,016)	(17,509)
Foreign exchange translation	106	3,642	(14)	(15)	-	3,719
At 30 June 2009 net of accumulated depreciation	2,871	86,963	2,165	1,204	6,932	100,135
30 June 2009						
Cost	6,781	151,718	4,544	2,560	12,496	178,099
Accumulated depreciation	(3,910)	(64,755)	(2,379)	(1,356)	(5,564)	(77,964)
Net carrying amount	2,871	86,963	2,165	1,204	6,932	100,135

NOTE 14: DEFERRED MINING COSTS

	Consolidated	
	As at 30-Jun-10 \$'000	As at 30-Jun-09 \$'000
Deferred mining costs	13,504	17,188
	13,504	17,188

These costs represent prepaid mining expenses deferred in accordance with the accounting policy referred in Note 1(o).

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 15: INVESTMENT IN ASSOCIATE

	Consolidated	
	As at 30-Jun-10 \$'000	As at 30-Jun-09 \$'000
(a) Investment details		
<i>Listed</i>		
Viking Ashanti Limited	5,892	-
	<u>5,892</u>	<u>-</u>

The Group holds 23 million shares in Viking Ashanti Limited which represents 33.25% of their ordinary shares on issue.

(b) Movements in the carrying amount of the Group's investment in associate

Viking Ashanti Limited		
At 1 July	-	-
Purchase of investment	6,150	-
Share of loss after income tax	(258)	-
At 30 June	<u>5,892</u>	<u>-</u>

(c) Fair value of investment in listed associate

The market value of the Group's investment in Viking Ashanti Limited is \$5,290,000 (2009: \$nil).

(d) Summarised financial information

The following table illustrates summarised financial information relating to the Group's associate:

Extract from the associate's statement of financial position

Current assets	7,856	-
Non-current assets	6,374	-
Total assets	<u>14,230</u>	
Current liabilities	477	-
Non-current liabilities	-	-
Total liabilities	<u>477</u>	<u>-</u>
Net assets	<u>13,753</u>	<u>-</u>
Share of associates' net assets	<u>4,573</u>	<u>-</u>

Extract from the associate's statement of comprehensive income:

Revenue	-	-
Net Loss	(1,030)	-

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16: PAYABLES

	Consolidated	
	As at	As at
	30-Jun-10	30-Jun-09
	\$'000	\$'000
Current		
Trade creditors and accruals (a)	47,652	56,135
	<u>47,652</u>	<u>56,135</u>

- a) Payables are non interest bearing and generally settled on 30-90 day terms. Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

NOTE 17: INTEREST BEARING LIABILITIES

Current

Lease liabilities (a)	1,865	2,976
Borrowings (b),(e)	21,221	15,480
Bank overdraft (d)	6,359	5,821
	<u>29,445</u>	<u>24,277</u>

Non Current

Lease liabilities (a)	1,851	3,271
Borrowings (b),(e)	26,213	57,041
Convertible notes (c),(e)	65,236	40,426
	<u>93,300</u>	<u>100,738</u>

- a) Carpentaria Gold Pty Ltd ("CGPL"), a wholly owned subsidiary of RML, has entered into hire purchase agreements with Esanda Finance Corporation Limited, Caterpillar Financial Australia Limited and Atlas Copco Customer Finance Pty Ltd for the purchase of mining equipment which is being used at Mt Wright, Ravenswood. Several of these hire purchase agreements expired during the current year and were refinanced. Monthly instalments are required under the terms of the contracts which expire between July 2010 and December 2012. RML has provided an unsecured parent entity guarantee to these financiers in relation to these finance facilities.
- b) The US\$33.5m (or \$39.4m in AUD equivalent terms) senior debt facility provided by Barclays Bank Plc, the derivative facilities provided by Barclays Bank Plc and Investec Bank (Australia) Limited, a \$5m environmental bond facility and a US\$8.1m (or \$9.9m in AUD equivalent terms) deferred premium loan facility provided by Barclays Bank Plc are secured by the following:

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17: INTEREST BEARING LIABILITIES (continued)

- (i) Cross Guarantee and Indemnity given by RML, Carpentaria Gold Pty Ltd, Resolute (Tanzania) Limited, Mabangu Mining Limited, Resolute Pty Ltd, Resolute (Treasury) Pty Ltd and Resolute (Somisy) Limited;
- (ii) fixed and floating charge over all the current and future assets of Resolute (Tanzania) Limited including onshore and offshore bank accounts and shares of Mabangu Mining Ltd;
- (iii) fixed and floating charge over all the current and future assets of Mabangu Mining Limited including onshore and offshore bank accounts;
- (iv) mortgage over mining lease ML 19/97 of the Resolute (Tanzania) Limited group;
- (v) mortgage over prospecting licences PL 1461/2000, PL 1462/2000, PL 1732/2001, PL 347/95, PL 1833/2001, PL 1890/2002, PL 1891/2002 and PL 1892/2002 of Resolute (Tanzania) Limited;
- (vi) share Mortgage by Resolute Pty Ltd over all of its shares in Resolute (Tanzania) Limited and including an assignment of Tanzanian general and political risks insurance policies with the Security Trustee being named as the loss payee;
- (vii) share Mortgage by the Borrower over all of its shares in Carpentaria Gold Pty Ltd;
- (viii) share Mortgage by the Borrower over all of its shares in Resolute (Somisy) Limited and including an assignment of rights under Malian general and political risks insurance policies with the Security Trustee being named as the loss payee;
- (ix) fixed and floating charge over all the current and future assets of Resolute (Treasury) Pty Ltd including bank accounts and an assignment of all Hedging Contracts;
- (x) fixed and floating charges over all the current and future assets of Carpentaria Gold Pty Ltd including bank accounts and an assignment of all Hedging Contracts;
- (xi) mortgage over key Carpentaria Gold Pty Ltd mining tenements, and
- (xii) mortgage over the loan receivable from Societe des Mines de Syama SA.

The US\$33.5m senior debt facility is a revolving corporate loan that is to be repaid in half yearly instalments from December 2010 to December 2012; these instalments are included in note 36(d). The term of the derivative facilities extends to 30 September 2011. The environmental bond facility expires on 31 December 2012.

The total assets of the entities over which security exists amounts to A\$696.7m.

The following debt ratios are required to be maintained:

- (i) A debt service cover ratio of not less than 1.35:1;
- (ii) a loan life cover ratio of not less than 1.65:1; and,
- (iii) a reserve tail ratio of not less than 30%.

There have been no breaches of the above ratios.

Refer to Note 36(b) for details of average interest rates.

- c) The Group issued 34,091,911 convertible notes at a price of \$0.70 each and 11,363,636 options at a price of \$0.10 each in the year ended 30 June 2010. Gross proceeds of \$25.0m were raised as a result of these issues. The effective interest rate on these convertible notes for accounting purposes is 16.41%. A portion of the funds raised pursuant to the issue of convertible notes has been recognised in the Convertible Notes Equity Reserve.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17: INTEREST BEARING LIABILITIES (continued)

The Group issued 103,443,677 convertible notes in the year ended 30 June 2009 at a price of \$0.50 each raising \$51.7m. Subscribers also received one free option for every 3 convertible notes taken up under this offer. The effective interest rate on these convertible notes for accounting purposes is 18.18%. A portion of the funds raised pursuant to the issue have been recognised in the Convertible Notes Equity Reserves.

The notes are unsecured and subordinated to the senior credit facilities, have a coupon rate of 12% on the \$0.50 face value and are convertible into ordinary shares, one for one, at the option of the holder up until 31 December 2012 or repayable by the Company on 31 December 2012. The Company has the right to redeem the notes from 31 December 2011 by paying \$0.50 per note to the note holders, and in this event, the note holder has the right to convert their notes into ordinary shares on a one for one basis prior to them being redeemed). The terms of the convertible notes also allow for the Company to determine at a future date whether interest will be paid 6 monthly in arrears (in the form of cash or shares) or whether the payment of interest will be deferred until the third anniversary of the convertible notes. Full terms and conditions of the convertible notes can be found in the Convertible Note Trust Deed.

During the year ended 30 June 2010 583,558 convertible notes were converted into ordinary shares. The total number of convertible notes remaining was 151,152,268 as at 30 June 2010.

- d) This facility is in place indefinitely, is subject to an annual revision in approximately September 2010, and has an interest rate of 8% per annum on the basis of usage. The maximum limit of this facility is \$11.1m (AUD equivalent), and as at balance date \$4.7m (AUD equivalent) of the facility was unused.
- e) During the year ending 30 June 2009, the Group drew down on all of a \$20.0m standby credit facility. \$10.0m was switched by the financiers into Rolute convertible notes during the year ended 30 June 2009 and the remaining \$10.0m was outstanding on 30 June 2009. During the year ended 30 June 2010, the \$10m loan facility plus accrued fees was converted to 14,201,475 convertible notes and 4,733,825 listed options.

NOTE 18: FINANCIAL DERIVATIVE LIABILITIES

	Consolidated	
	As at 30-Jun-10 \$'000	As at 30-Jun-09 \$'000
Current		
Gold forwards (Note 36)	92,075	52,820
Gold call options (Note 36)	-	129
	<u>92,075</u>	<u>52,949</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18: FINANCIAL DERIVATIVE LIABILITIES (continued)

	Consolidated	
	As at 30-Jun-10 \$'000	As at 30-Jun-09 \$'000
Non current		
Gold forwards (Note 36)	21,026	62,358
	<u>21,026</u>	<u>62,358</u>

NOTE 19: PROVISIONS

Current

Site restoration (a)	5,319	1,929
Employee entitlements	4,724	4,113
Dividend payable	69	69
Other provisions	821	825
	<u>10,933</u>	<u>6,936</u>

Non Current

Site restoration (a)	28,103	29,740
Employee entitlements	521	281
	<u>28,624</u>	<u>30,021</u>

(a) Site restoration

Balance at the beginning of the year	31,669	28,090
Restoration borrowing cost unwound	519	999
Change in scope of restoration provision	4,081	3,863
Utilised during the year	(985)	(2,167)
Foreign exchange translation	(1,862)	884
Balance at the end of the year	<u>33,422</u>	<u>31,669</u>

Reconciled as:

Current provision	5,319	1,929
Non-current provision	<u>28,103</u>	<u>29,740</u>
Total provision	<u>33,422</u>	<u>31,669</u>

The nature of restoration activities includes dismantling and removing structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and revegetation of affected areas. Typically the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related mining assets. Over time, the liability is increased for the change in present value based on the discount rates that reflect the current market assessments and the risks specific to the liability. Additional disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation liability when incurred.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 20: OTHER LIABILITIES

	Consolidated	
	As at 30-Jun-10 \$'000	As at 30-Jun-09 \$'000
Financial guarantees (a)	37	193
	<u>37</u>	<u>193</u>

- a) RML agreed to provide financial support to the Syama mining contractor (PW Mining International Ltd S.A.R.L) by guaranteeing the repayment to its financier of outstanding amounts borrowed. The amount outstanding at 30 June 2010 by PW Mining International Ltd S.A.R.L to its financier is US\$3.1m. The amount shown is the recognition of the financial guarantee at fair value. The fair value has been calculated by assessing the probability of this guarantee being called by the financier.

NOTE 21: CONTRIBUTED EQUITY

(a) Contributed equity

Ordinary share capital:	<u>237,083</u>	<u>209,680</u>
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392,586,434 ordinary fully paid shares (2009: 352,313,556)

(b) Movements in contributed equity, net of issuing costs

Balance at the beginning of the year	209,680	171,867
Conversion of 583,558 convertible notes to shares at \$0.50 per share	269	-
Placement of 30,000,000 shares to M&G Investments at \$0.63 per share	17,862	-
Exercise of 109,640 listed options at \$0.60 per share	66	-
Issue of 4,818,911 shares to Convertible Note holders in lieu of interest payable at \$0.94 per share	4,540	-
Exercise of 286,998 unlisted options at \$0.42 per share	116	-
Issue of 4,474,355 shares to Convertible Note holders in lieu of interest payable at \$1.02 per share	4,550	-
Exercise of 150,000 unlisted options at \$1.42 per share	-	211
Exercise of 55,000 unlisted options at \$1.13 per share	-	60
Issue of 30,072,231 shares pursuant to the 1 for 9 Renounceable Rights Issue at \$0.40 per share	-	11,042
Issue of 35,720,000 shares to sophisticated investors at \$0.70 per share	-	23,372
Exercise of 951 listed options at \$0.60 per share	-	1
Issue of 5,485,649 shares to Convertible Note holders in lieu of interest payable at \$0.57 per share	-	3,127
Balance at the end of the year	<u>237,083</u>	<u>209,680</u>

Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued capital.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 21: CONTRIBUTED EQUITY (continued)

(c) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(d) Employee share options

Refer to Note 31 for details of the Employee Share Option Plan. Each option entitles the holder to purchase one share. The names of all persons who currently hold employee share options, granted at any time, are entered into the register kept by the Company, pursuant to Section 215 of the *Corporations Act 2001*. Persons entitled to exercise these options have no right, by virtue of the options, to participate in any share issue by the parent entity or any other body corporate.

(e) Capital management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure that is appropriate for the Group's current and/or projected financial position.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders (if any), return capital to shareholders, issue new shares, borrow from financiers or sell assets to reduce debt.

The Group monitors the adequacy of capital by analysing cash flow forecasts over the term of the Life of Mine for each of its projects. To a lesser extent, gearing ratios are also used to monitor capital. Appropriate capital levels are maintained to ensure that all approved expenditure programs are adequately funded. This funding is derived from an appropriate combination of debt and equity.

The gearing ratio is calculated as net debt divided by total capital. Net debt is defined as interest bearing liabilities less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the Consolidated statement of financial position (including non-controlling interest) plus net debt.

	Consolidated	
	2010	2009
Gearing ratio	37%	37%

The Group is not subject to any externally imposed capital requirements. Refer to Note 1(a) for discussion regarding future cash flow requirements.

RESOLUTE MINING LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 22: RESERVES

(a) Movements in reserves

	Foreign Currency Translation Reserve	Hedge Reserve Put Options Gain/(Loss)	Hedge Reserve Forwards Gain/(Loss)	Unrealised Gain/(Loss) Reserve	Share Based Payments Reserve	Convertible Notes Equity Reserve	Share Options Equity Reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated								
As at 1 July 2008	(9,183)	(42)	9,490	63	1,103	-	-	1,431
Currency translation differences	9,816	-	-	-	-	-	-	9,816
Hedge reserve put options, net of tax	-	42	-	-	-	-	-	42
Hedge reserve forwards, net of tax	-	-	(4,147)	-	-	-	-	(4,147)
Unrealised gain/(loss) reserve, net of tax	-	-	-	301	-	-	-	301
Share based payments to employees	-	-	-	-	396	-	-	396
Value of conversion rights on convertible notes (including transaction costs, net of tax (i))	-	-	-	-	-	3,492	-	3,492
Value of options issued to convertible note and share holders, net of tax	-	-	-	-	-	-	4,064	4,064
As at 30 June 2009	633	-	5,343	364	1,499	3,492	4,064	15,395
Currency translation differences	(348)	-	-	-	-	-	-	(348)
Hedge reserve put options, net of tax	-	-	-	-	-	-	-	-
Hedge reserve forwards, net of tax	-	-	(5,343)	-	-	-	-	(5,343)
Unrealised gain/(loss) reserve, net of tax	-	-	-	(200)	-	-	-	(200)
Share based payments to employees	-	-	-	-	522	-	-	522
Value of conversion rights on convertible notes (including transaction costs, net of tax (i))	-	-	-	-	-	10,741	-	10,741
Value of options issued to convertible note and share holders, net of tax	-	-	-	-	-	-	1,923	1,923
As at 30 June 2010	285	-	-	164	2,021	14,233	5,987	22,690

NOTES TO THE FINANCIAL STATEMENTS

NOTE 22: RESERVES (continued)

- (i) The gross transaction costs allocated to the equity component of the convertible notes were \$0.1m (2009: \$0.9m).
- (b) Nature and purpose of reserves
- (i) *Foreign currency translation reserve*
Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, refer Note 1(d)(ii).
- (ii) *Hedge reserves*
The hedging reserves are used to record gains or losses on an effective hedging instrument, refer Note 1(n). Ineffective amounts are recognised in the consolidated statement of comprehensive income.
- (iii) *Unrealised gain/(loss) reserve*
This reserve records fair value changes on available for sale investments, refer Note 1(l)(iv).
- (iv) *Share based payment reserve*
The share based payments reserve is used to recognise the fair value of options granted over the vesting period of the option, refer Note 1(y)(iv).
- (v) *Convertible notes equity reserve*
This reserve records the value of the equity portion (conversion rights) of the convertible notes.
- (vi) *Share options equity reserve*
The equity reserve records transactions between owners as owners.

NOTE 23: RETAINED EARNINGS

	Consolidated	
	As at	As at
	30-Jun-10	30-Jun-09
	\$'000	\$'000
Retained profits at the beginning of the year	78,231	47,555
Net (loss)/profit attributable to members of the parent	(37,173)	30,676
Retained profits at the end of the financial year	<u>41,058</u>	<u>78,231</u>

NOTE 24: EXPLORATION AND DEVELOPMENT COMMITMENTS

Exploration commitments:

Due to the nature of the consolidated entity's operations in exploring and evaluating areas of interest, it is very difficult to accurately forecast the nature or amount of future expenditure, although it will be necessary to incur expenditure in order to retain present interests in mineral tenements. Expenditure commitments on mineral tenure for the parent entity and consolidated entity can be reduced by selective relinquishment of exploration tenure or by the renegotiation of expenditure commitments. The approximate level of exploration expenditure expected in the year ending 30 June 2011 for the consolidated entity is approximately \$12.8m (2010: \$9.9m). This includes the minimum amounts required to retain tenure.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 25: LEASE COMMITMENTS

	Consolidated	
	As at	As at
	30-Jun-10	30-Jun-09
	\$'000	\$'000
a) Finance lease		
Lease expenditure contracted and provided for:		
Due within one year	2,119	3,365
Due between one and five years	1,937	3,575
Total minimum lease payments	4,056	6,940
Less finance charges	(340)	(693)
Present value of minimum lease payments	3,716	6,247
Reconciled to:		
Current liability	1,865	2,976
Non current liability	1,851	3,271
	3,716	6,247
b) Operating lease (non-cancellable)		
Due within one year	773	220
Due between one and five years	2,827	-
Aggregate lease expenditure contracted for at balance date but not provided for	3,600	220

The operating lease expenditure relates to the rental of office premises and is fixed.

NOTE 26: RELATED PARTY TRANSACTIONS

- (i) Refer to Note 34 for directors' indirect and direct interests in securities.
- (ii) RML is the ultimate Australian holding company and there is no controlling entity of RML at 30 June 2010.
- (iii) The directors received the following shares in lieu of interest payable on convertible notes held by them:

Directors	Fully paid ordinary shares
P. Huston	-
P. Sullivan	12,269
T. Ford	12,269
H. Price	6,134

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 27: INTERESTS IN JOINT VENTURES

The consolidated entity has an interest in the following material joint ventures, whose principal activities are to explore for gold. The Group's interests in the assets employed in the joint venture are included in the consolidated statement of financial position, in accordance with the accounting policy as described in Note 1(b)(ii).

There are no commitments relating to the joint ventures (2009: nil).

Jointly controlled assets

INTERESTS IN JOINT VENTURES

<u>Entity Holding Interest</u>	<u>Other Participant/Joint Venture</u>	<u>Percentage of Interest Held</u>	
		2010 %	2009 %
Mabangu Mining Limited	Sub-Sahara/Nyakafuru JV	51% Elected to earn additional 19%	51% Elected to earn additional 19%
Resolute Pty Ltd	Etruscan/Finkolo JV	60%	60%
Carpentaria Gold Pty Ltd	Denjim/Welcome Breccia JV	Earning 80%	-

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 28: NOTES TO THE CASH FLOW STATEMENTS

	Consolidated	
	As at	As at
	30-Jun-10	30-Jun-09
	\$'000	\$'000
(a) Reconciliation of net (loss)/profit from continuing operations after income tax to the net cash flows:		
Net (loss)/profit from ordinary activities after income tax	(56,571)	30,676
Add/(deduct):		
Share based payments expense	522	396
Profit on sale of subsidiaries	(7,208)	-
(Profit)/loss on sale of property, plant and equipment	(1,934)	134
Loss on sale of available for sale financial assets	28	436
Rehabilitation provision discount adjustment	519	999
Rehabilitation provision adjustment from non operating mine sites	(726)	217
Depreciation and amortisation of property, plant and equipment	24,967	17,509
Amortisation of exploration, development and rehabilitation costs	18,445	10,252
Foreign exchange loss	72,520	14,039
Impairment of accounts receivable	-	3,180
Impairment of available for sale financial assets	-	3,140
Impairment of acquired exploration and evaluation assets	-	10,172
Profit on sale of Dominion/Challenger royalty	-	(10,033)
Royalty income	-	(1,208)
Capitalised finance costs	(536)	(706)
Non cash finance costs	7,625	-
Other	52	482
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	(10,068)	4,006
Increase in inventories	(10,489)	(32,056)
Increase in financial derivatives	(4,082)	(9,208)
Decrease/(increase) in prepayments	3,800	(1,304)
Increase/(decrease) in deferred mining costs	3,684	(2,115)
(Decrease)/increase in payables	(14,775)	14,184
Increase in provision for taxation	1,294	-
Increase/(decrease) in deferred tax balances	2,124	(3,238)
Increase in provisions	2,600	5,370
Net operating cash flows	31,791	55,324

NOTES TO THE FINANCIAL STATEMENTS

NOTE 28: NOTES TO THE CASH FLOW STATEMENTS (continued)

(b) Finance Leases

Refer to Note 17(a) for additions to finance leases and for terms and conditions.

(c) Non cash operating, financing and investing activities

2010

The consolidated entity repaid the Utilico debt facility, interest and fees (totalling \$10.4m) by issuing 14,201,475 convertible notes at an issue price of 70 cents each and 4,733,825 listed options at an issue price of 10 cents each.

The consolidated entity issued 500,000 options in lieu of fees owing with a strike price of 74 cents to Utilico Limited as facility fees. The value of the options issued was \$0.1m. Refer to Option issue 2 below for the assumptions used in the valuation of options.

The consolidated entity issued shares to the value of \$9.1m for no consideration to convertible note holders in lieu of interest payable.

The consolidated entity issued 3,000,000 options with a strike price of 72 cents to Barclays Bank Plc upon the restructuring of the senior debt facility. The value of the options issued was \$1.1m. Refer to Option issue 1 below for the assumptions used in the valuation of options.

The consolidated entity received shares in Viking Ashanti Limited as consideration for the disposal of a number of its Ghanaian subsidiaries (refer Note 37).

2009

The consolidated entity issued 78,237,463 listed options (for nil consideration) with a strike price of 60 cents per share along with the issue of 103,443,677 convertible notes and 30,072,231 shares (pursuant to the 1 for 9 non-renounceable rights issue). 44,505,303 of the total options were attached to the convertible notes, and the remaining 33,732,160 options were issued as loyalty options to investors who had made a firm commitment to participate in the capital raising. The value of the loyalty options issued was \$5.2m. Refer to Option issue 5 for the assumptions used in the valuation of options.

Establishment, drawdown and quarterly extension fees valued at \$0.6m were paid by way of issuing listed options. Refer to Option issues 3, 4 and 6 for the details of those options.

Input	Option issue					
	1	2	3	4	5	6
Number of Options	3,000,000	500,000	1,750,000	500,000	33,732,160	1,250,000
Grant date	24/10/2009	20/07/2009	9/04/2009	28/01/2009	23/12/2008	7/10/2008
Expected volatility (%)	50%	50%	50%	50%	50%	50%
Risk free rate (%)	7%	7%	7%	7%	6%	7%
Expected life of options (years)	3	3	3	3	3	3
Original option exercise price (\$)	0.72	0.74	0.60	1.00	0.60	1.64
Share price at grant date (\$)	0.81	0.64	0.40	0.73	0.48	1.01
Value per option at grant date (\$)	0.36	0.22	0.11	0.22	0.15	0.25

NOTES TO THE FINANCIAL STATEMENTS

NOTE 29: CONTROLLED ENTITIES

The following were controlled entities during the year and have been included in the consolidated accounts. All entities in the consolidated entity carry on business in their place of incorporation.

Name of Controlled Entity and Country of Incorporation	Consolidated Entity Company Holding the Investment	Percentage of Shares Held by Consolidated Entity	
		2010 %	2009 %
Abore Mining Company Limited, Ghana (b)	Associated Gold Fields Pty Ltd	-	90
Associated Gold Fields Pty Ltd, Aust. (a),(b)	Resolute Pty Ltd	-	100
	Tuki Nominees Pty Ltd		
	Kiwi International Resources Pty Ltd		
Broken Hill Metals Pty Ltd, Aust. (a)	Resolute (Treasury) Pty Ltd	100	100
Carpentaria Gold Pty Ltd, Aust.	Resolute Mining Limited	100	100
Ghana Mining Investments Pty Ltd, Aust. (a),(b)	Associated Gold Fields Pty Ltd	-	100
Goudhurst Pty Ltd, Aust. (a)	Stockbridge Pty Ltd	100	100
Kiwi Goldfields Limited, Ghana (b)	Associated Gold Fields Pty Ltd	-	100
	Kiwi International Resources Pty Ltd		
Kiwi International Resources Pty Ltd, Aust. (a),(b)	Associated Gold Fields Pty Ltd	-	100
Mabangu Exploration Limited, Tanzania	Resolute (Tanzania) Limited	100	100
Mabangu Mining Limited, Tanzania	Resolute (Tanzania) Limited	100	100
Obenemase Gold Mines Ltd, Ghana (b)	Ghana Mining Investments Pty Ltd	-	90
Resolute (CDI Holdings) Limited, Jersey (a),(d)	Resolute Mining Limited	100	-
Resolute CI SARL, Cote d'Ivoire (e)	Resolute (CDI Holdings) Limited	100	-
Resolute (Finkolo) Limited, Jersey (a)	Resolute Mining Limited	100	100
Resolute (Ghana) Limited, Ghana (c)	Resolute Mining Limited	100	100
Resolute Mali S.A., Mali	Resolute (Somisy) Limited	100	100
Resolute (Somisy) Limited, Jersey (a)	Resolute Mining Limited	100	100
Resolute (Tanzania) Limited, Tanzania	Resolute Pty Ltd	100	100
Resolute (Treasury) Pty Ltd, Aust. (a)	Resolute Mining Limited	100	100
Resolute Amansie Limited, Ghana (b)	Associated Gold Fields Pty Ltd	-	90
	Kiwi International Resources Pty Ltd		
Resolute Pty Ltd, Aust.	Resolute Mining Limited	100	100
Resolute Resources Pty Ltd, Aust. (a)	Resolute Pty Ltd	100	100
Societe des Mines de Syama S.A., Mali	Resolute (Somisy) Limited	80	80
Stockbridge Pty Ltd, Aust. (a)	Resolute (Treasury) Pty Ltd	100	100
Stockbridge Services Unit Trust, Aust. (a),(f)	Stockbridge Pty Ltd	-	100
Tuki Nominees Pty Ltd, Aust. (a)	Resolute Pty Ltd	100	100

(a) These entities are not required to be separately audited. An audit of the entity's results and position is performed for the purpose of inclusion in the consolidated entity's accounts.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 29: CONTROLLED ENTITIES (continued)

b) On 7 May 2010 the following entities were sold to Viking Ashanti Limited (refer to Note 37):

- Abore Mining Company Limited;
- Associated Gold Fields Pty Ltd;
- Ghana Mining Investments Pty Ltd;
- Kiwi Goldfields Limited;
- Kiwi International Resources Pty Ltd;
- Obenemase Gold Mines Ltd; and,
- Resolute Amansie Limited.

c) During the year, ownership of Resolute (Ghana) Limited transferred from Resolute Pty Ltd wholly to Resolute Mining Limited.

d) On 10 May 2010, Resolute (CDI Holdings) Limited was incorporated as a wholly owned subsidiary of Resolute Mining Limited.

e) On 26 March 2010, Resolute CI SARL was incorporated as a wholly owned subsidiary of Resolute (CDI Holdings) Limited.

f) On 30 June 2010, the Stockbridge Services Unit Trust, Australia was terminated.

NOTE 30: AUDITOR REMUNERATION

	Consolidated	
	2010	2009
	\$	\$
Amounts received or due and receivable by Ernst & Young Australia, from entities in the consolidated entity or related entities:		
Auditing (i)	305,580	319,643
Taxation planning advice and review	81,560	82,268
	<u>387,140</u>	<u>401,911</u>

- i) Included in the current year is \$11,000 (2009: \$42,000) pertaining to additional work performed in relation to the audit of the prior year.

Amounts received or due and receivable by a related overseas office of Ernst & Young, from entities in the consolidated entity or related entities:

Auditing (Ernst & Young, Ghana)	-	18,154
Tax Advice (Ernst & Young, Ghana)	8,750	-
	<u>8,750</u>	<u>18,154</u>
Total amounts received or due and receivable by Ernst & Young globally	<u>395,890</u>	<u>420,065</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 30: AUDITOR REMUNERATION (continued)

	Consolidated	
	2010	2009
	\$	\$
Amounts received or due and receivable by non Ernst & Young firms for auditing	37,522	36,607

NOTE 31: EMPLOYEE BENEFITS

a) Employee entitlements

The aggregate employee entitlement liability is comprised of:

Provisions (current) (Note 19)	4,724	4,113
Provisions (non current) (Note 19)	521	281
	<u>5,245</u>	<u>4,394</u>

b) Employee share option plan

An employee share option plan has been established where executives and members of staff of the consolidated entity are issued with options over the ordinary shares of RML. The options, issued for nil consideration, are issued in accordance with the terms and conditions of the shareholder approved RML Employee Share Option Plan and performance guidelines established by the directors of RML.

The options do not provide any dividend or voting rights. The options are not quoted on the ASX.

Outstanding at balance date are 55,000 options (Options C). This balance has remained unchanged since 30 June 2009. These options were issued on 24 March 2006 with an exercise price of \$1.28 and an expiry date of 23 March 2011. One third of the options were able to be exercised 6 months after issue, a further one third 18 months after issue and the remaining one third 30 months after issue. Pursuant to the rights issues in the years ended 30 June 2008 and 30 June 2009, the strike price reduced by 16 cents per option in accordance with the RML Share Option Plan. The strike price is now \$1.12.

Also outstanding at balance date are 255,000 options (Options D) which are comprised of the opening balance of 335,000 less 80,000 options lapsed during the year. These options were issued on 25 October 2006 with an exercise price of \$1.48 and an expiry date of 24 October 2011. One third of the options were able to be exercised 6 months after issue, a further one third 18 months after issue and the remaining one third 30 months after issue. Pursuant to the rights issues in the years ended 30 June 2008 and 30 June 2009, the strike price reduced by 16 cents per option in accordance with the RML Share Option Plan. The strike price is now \$1.32.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 31: EMPLOYEE BENEFITS (continued)

Also outstanding at balance date are 213,000 options (Options E) which are comprised of the opening balance of 237,000 less 24,000 options lapsed during the year. These options were issued on 25 March 2008 with an exercise price of \$2.13 and an expiry date of 23 May 2013. One third of the options were able to be exercised 6 months after issue, a further one third 18 months after issue and the remaining one third 30 months after issue. Pursuant to the rights issues in the years ended 30 June 2008 and 30 June 2009, the strike price reduced by 1 cent per option in accordance with the RML Share Option Plan. The strike price is now \$2.12.

Also outstanding at balance date are 75,000 options (Options F) which are comprised of the opening balance of 99,000 less 24,000 options lapsed during the year. These options were issued on 29 August 2008 with an exercise price of \$1.63. One third of the options were able to be exercised 6 months after issue, a further one third 18 months after issue and the remaining one third 30 months after issue. Pursuant to the rights issues in the year ended 30 June 2009, the strike price reduced by 1 cent per option in accordance with the RML Share Option Plan. The strike price is now \$1.62.

Also outstanding at balance date are 1,173,002 options (Options G) which are comprised of the opening balance of 1,805,000, less 286,998 options exercised during the year and 345,000 options lapsed during the year. These options were issued on 31 January 2009 with an exercise price of \$0.42 and an expiry date of 31 January 2014. One third of the options are able to be exercised 12 months after issue, a further one third 18 months after issue and the remaining one third 30 months after issue.

Options H were issued under the employee share option plan on 15 February 2010. These options were comprised of 1,237,000 options, with an exercise price of \$1.09 and an expiry date of 14 February 2015. One third of the options are able to be exercised 6 months after issue, a further one third 18 months after issue and the remaining one third 30 months after issue. The balance of these options is 1,064,000 options being 1,237,000 less 173,000 options lapsed during the year.

Employees will only be able to exercise the options allocated to them if they meet certain performance criteria. Details of the employee share option plan for both the parent and the consolidated entity are as follows:

	2010		2009	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance at the beginning of the year	2,571,000	0.74	1,246,000	1.62
- granted	1,237,000	1.09	1,985,000	0.48
- exercised/lapsed	(972,998)	0.73	(660,000)	1.64
Balance at end of year	2,835,002	0.90	2,571,000	0.74
Vested and exercisable at the end of the year	406,000	1.47	542,000	1.45

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 31: EMPLOYEE BENEFITS (continued)

The following tables summarises information about options exercised by employees during the year:

<u>2010</u>								
Number of Options	Grant Date	Exercise Date	Expiry Date	Weighted Average Exercise Price	Proceeds from Shares Issued	Number of Shares Issued	Issue Date of the Shares	Fair Value of Shares Issued
				\$	\$			\$
137,000	31 Jan 09	15 Feb 10	31 Jan 14	0.42	57,540	137,000	15 Feb 10	0.98
38,333	31 Jan 09	26 Mar 10	31 Jan 14	0.42	16,100	38,333	26 Mar 10	1.00
66,666	31 Jan 09	1 Apr 10	31 Jan 14	0.42	28,000	66,666	1 Apr 10	1.10
44,999	31 Jan 09	16 Apr 10	31 Jan 14	0.42	18,900	44,999	16 Apr 10	1.20

<u>2009</u>								
Number of Options	Grant Date	Exercise Date	Expiry Date	Weighted Average Exercise Price	Proceeds from Shares Issued	Number of Shares Issued	Issue Date of the Shares	Fair Value of Shares Issued
				\$	\$			\$
150,000	21 Dec 04	29 Aug 08	21 Dec 09	1.42	213,000	150,000	29 Aug 08	1.60
55,000	24 Mar 06	25 Sep 08	31 Dec 08	1.13	62,150	55,000	25 Sep 08	1.39

Fair value of the shares issued is estimated to be the market price of the shares of Resolute Mining Limited on the ASX as at close of trading on their respective issue dates.

The following table lists the key variables used in the option valuation:

	<u>Options C</u>	<u>Options D</u>	<u>Options E</u>	<u>Options F</u>	<u>Options G</u>	<u>Options H</u>
Number of options at year end	55,000	255,000	213,000	75,000	1,173,002	1,064,000
Dividend yield (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expected volatility (%)	50%	50%	40%	40%	50%	50%
Risk free interest rate (%)	5.50%	5.50%	8.30%	7.00%	7.00%	7.00%
Expected life of options (years)	5	5	5	5	5	5
Original option exercise price (\$)	1.28	1.48	2.13	1.63	0.42	1.09
Share price at grant date (\$)	1.16	1.35	1.94	1.48	0.38	0.99
Value per option at grant date (\$)	0.55	0.65	0.88	0.64	0.20	0.49

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

The fair value of the options is measured at the grant date using the Black and Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The services received and liabilities to pay for those services are recognised over the expected vesting period.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 32: CONTINGENT LIABILITIES & COMMITMENTS

Contingent Liabilities

(a) Native Title Claims

Native title determination applications have been lodged with the National Native Title Tribunal established under the Native Title Act 1993 over areas of interest currently leased by the consolidated entity. Some of those claims have been accepted by the Tribunal. Acceptance of an application by the Tribunal is merely a preliminary step in the procedure established by the Native Title Act to determine whether or not native title exists. The final effect of these claims is not known and the claims are not currently affecting the mining and exploration projects of the consolidated entity.

(b) Tanzanian Tax Authorities

i) General

The operations and earnings of the Group continue, from time to time, to be affected to varying degrees by fiscal, legislative, regulatory and political developments, including those relating to environmental protection, in the countries in which the Group operates.

The industry in which the Group is engaged is also subject to physical risks of various types. The nature and frequency of these developments and events, not all of which are covered by insurance, as well as their effect on future operations and earnings, are unpredictable.

ii) Corporations Tax Assessment

1) In 2005, Resolute (Tanzania) Limited ("RTL") received an income tax assessment from the Tanzanian Revenue Authority ("TRA"). The assessment is in relation to the period 1 July 1998 to 30 June 2004 and is for an amount of US\$32.4 million. The assessment follows a review of RTL's affairs by a government appointed auditor. The review purports that RTL has not been able to substantiate the capital development costs and operating costs associated with the Golden Pride gold mine. In formulating the assessment, the TRA has decided to arbitrarily deny RTL deductions for 60% of its capital expenditure and 40% of all operating expenditure between 1 July 1998 and 30 June 2004. It has also increased assessable sales revenue by 40% over the same period, and did not recognise some of the carry forward losses for expenditures incurred prior to 30 June 1998.

The TRA assessment, in the Company's opinion, contains fundamental and material errors, has no substance or foundation in fact, and its issue appears to be a serious breach of due process. The Company strongly disputes the validity of the assessment and believes that there is no amount of income tax owing by RTL to the TRA. RTL will vigorously defend its position. Pursuant to the Tanzanian taxation system, taxpayers have the ability to object against an assessment by lodging a deposit with the tax authorities equal to one third of the assessed amount. The deposit must be made within one month of receiving an assessment. An objection to the assessment and a waiver to the requirement to lodge a deposit has been lodged by RTL with the appropriate Authority.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 32: CONTINGENT LIABILITIES & COMMITMENTS (continued)

An additional income tax assessment was received in June 2008 for US\$1.6 million. The company believes that this assessment is equally flawed.

Considerable time has since lapsed, and no response has been received on RTL's objection or waiver request, nor has any attempt been made to enforce the payment of the assessed tax.

2) As previously reported in prior period reports, in accordance with both Tanzanian tax legislation and the Mabangu Mining Limited ("MML", a wholly owned Group company incorporated in Tanzania, Africa) Development Agreement, MML withheld a 3% Management Services tax on payments it made to Goudhurst Pty Ltd ("GPL", a wholly owned Group company incorporated in Australia) for management services rendered to MML between 1998 and 2008. As outlined in an Assessment issued to MML in February 2009, the TRA believes the services rendered were actually professional services provided by GPL to MML, and as such would attract the higher withholding tax rate of 20%, or a difference amounting to US\$1.8m.

MML strongly disagrees with the TRA's determination of the services rendered by GPL, and has received professional independent advice regarding the matter which concurs with MML's view. MML has filed statements of appeal with the Tanzanian Revenue Appeals Board and is awaiting for its appeal to be heard.

3) As previously reported in the prior period reports, in February 2009, MML received an assessment for US\$4.7m from the TRA who claim that MML has entered into a tax avoidance scheme by not following through with its initial intention of liquidating MML in 2006. The TRA claim that MML ceased the liquidation of MML to avoid paying withholding tax that they believe would have been payable if MML had been liquidated and its retained profits distributed to RTL in the form of a dividend. In MML's opinion, the TRA assessment is fundamentally flawed and has no substance or foundation in fact. MML strongly disputes the validity of the assessment and believes there is no amount of withholding tax owing by MML to the TRA. MML has received professional advice confirming that even if MML were liquidated and its profits were distributed to RTL, no such withholding tax is payable on dividends paid by one Tanzanian entity to another. MML will vigorously defend its position and has applied for a waiver of any deposit payable to the TRA ordinarily required to defend the claim. A letter of objection was sent to the TRA in March 2009 and a request to the Commissioner General for a waiver of the one third tax deposit was submitted in February 2010. A response to this request is yet to be received.

The financial effects of all of the above TRA assessments have not been recognised within the accounts.

iii) Indirect Taxes

The Tanzanian Revenue Authority ("TRA") has changed its interpretation on the tax legislation relating to the fuel levy and fuel excise and duties ("fuel taxes"). The amount paid by Resolute (Tanzania) Limited ("RTL", a wholly owned Group company incorporated in Tanzania, Africa) when it purchases fuel includes this payment of fuel taxes. The fuel supplier remits the fuel tax to the TRA, and as in a similar manner as is done with a Goods and Services Tax or a Value Added Tax, RTL would then lodge a claim to claim back from the TRA the fuel taxes it has paid to the supplier. Up until December 2005, the TRA refunded all of the fuel taxes paid by RTL. From January 2006 onwards, the TRA has changed its interpretation and has denied further refunding of fuel taxes if the fuel is used by a sub-contractor.

The TRA had previously refunded 9.1b Tanzanian Shillings ("Tsh") (or US\$6.9m) of fuel taxes to RTL during the period from 1999 to 2005, but due to their new interpretation are now arguing they should not have. As a result, they demanded that the refunded amount be returned by RTL to the TRA by 3 October 2008, which did not occur.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 32: CONTINGENT LIABILITIES & COMMITMENTS (continued)

RTL strongly disagrees with the TRA revised interpretation and it will continue to vigorously defend its position. The majority of the amounts sought by the TRA are “time barred” and can only be claimed from RTL if RTL has acted in a fraudulent manner. RTL has acted in accordance with the law. In addition, further protection is provided to RTL by its Mining Development Agreement, which limits the amount of fuel taxes to be paid by RTL.

In October 2008, RTL lodged an appeal against this demand and requested a waiver of any deposit to have this case heard by the Tax Appeal Board. The waiver was unsuccessful and the TRA agreed to a modified deposit to be paid, and is in the form of Tsh 150m (or approximately US\$0.1m) per month up until the case is heard by the Tax Appeals Board (expected to be late 2010). Up until 30 June 2010, RTL has paid 17 monthly instalments of Tsh 150m (totalling approximately US\$1.7m). These deposits are treated as a non-current receivable when they are paid.

(c) Summit Resources (Aust) Pty Ltd, Paladin Energy Limited and Areva NC (Australia) Pty Ltd

On 6 September 2006 RML entered into a Deed of Indemnity with Paladin Resources Limited (“Paladin”) to indemnify Paladin and its related parties for any loss they suffer as a result of a material breach of the Isa Uranium Joint Venture Agreement due to disclosure of information concerning the Joint Venture to persons not party to the Joint Venture. Under this indemnity, in the circumstances which now pertain, RML’s liability is capped at \$75m. The Isa Uranium Joint Venture is a joint venture between Summit Resources (Aust) Pty Ltd (“Summit”) and Mount Isa Uranium Pty Ltd (“MIU”) (a wholly owned subsidiary of Valhalla Uranium Limited, which in turn is wholly owned by Paladin). Valhalla Uranium Limited was previously a wholly owned subsidiary of RML.

In September 2006 Summit commenced proceedings (“Proceedings”) in the Supreme Court of Western Australia against RML and MIU in relation to disclosures allegedly in breach of the Isa Uranium Joint Venture Agreement. Summit claimed it was entitled to acquire MIU’s interest in the Isa Uranium Joint Venture at 85% of value, on account of alleged disclosure of joint information by MIU and its predecessor Resolute, to amongst others, Paladin. Were Summit to be successful in the Proceedings and acquire MIU’s interest in the Isa Uranium Joint Venture, RML would become liable to Paladin for an amount equal to 15% of the value of MIU’s joint venture interest, capped at \$75m.

On 3 August 2007, Summit, after having an Independent Committee (of the Board of Summit Resources Limited, Summit’s holding company) obtain legal advice and review the commercial rationale for litigation, determined it to be in Summit’s best interests to discontinue the Proceedings and as a result, a Deed of Release and Settlement was executed by Summit and the other parties to the Proceedings. The principal terms of settlement were that Proceedings be terminated on the basis that each party bears its own costs.

On 3 August 2007, Areva NC (Australia) Pty Ltd (“Areva”) (a wholly owned subsidiary of French company, Areva NC) by then a 10% shareholder in Summit Resources Limited commenced an application to the Supreme Court of Western Australia to intervene in the Proceedings and act on behalf of Summit in the Proceedings (under section 237 of the Corporations Act). The application was heard by the Court in May 2009, and judgement is awaited.

If Areva’s application is successful which includes overturning the Deed of Release and Settlement, then subject to any appeal, the Proceedings will be resumed and both MIU and Resolute will defend them. Were Summit to then be successful in the Proceedings and acquire MIU’s interest in the Isa Uranium Joint Venture, RML would become exposed to a liability to Paladin for an amount equal to 15% of the value of MIU’s joint venture interest, capped at \$75m. RML is confident that at all times the disclosure obligations under the Isa Uranium Joint Venture Agreement have been complied with.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 32: CONTINGENT LIABILITIES & COMMITMENTS (continued)

In October 2009, RML, Areva NC (Australia) Pty Ltd, Paladin Energy Limited ("Paladin"), Mt Isa Uranium Pty Ltd (a subsidiary of Paladin) and Summit Resources Limited entered into a conditional Deed of Settlement, Release and Assignment ("Settlement Agreement") to settle a number of outstanding matters, including litigation, between the various parties. Included in this Settlement Agreement is the termination of the Deed of Indemnity provided by RML to Paladin in 2006 (at the time RML sold its uranium assets to Paladin). The estimated cost associated with settling this conditional Settlement Agreement has been provided for in RML's accounts at 30 June 2010.

(d) Tanesco Electricity Supply Contract

Tanesco (the Tanzanian national electricity provider) provides electricity to RTL pursuant to an Electricity Supply Agreement. The Agreement refers to an annual price escalation formula containing escalation factors that are open to interpretation. Pursuant to Tanesco's interpretation of the escalation formula, 4.7b Tsh (USD\$3.2m) relating to amounts in excess of the general Tanzanian public rate covering the period from 1 January 2008 to 30 June 2008 was invoiced to RTL. The rates charged by Tanesco in their invoice were significantly higher than the general Tanzanian public rate. The amount recognised by RTL reflected the amounts payable to Tanesco by RTL if it had terminated the Agreement and elected to receive and pay for electricity under the general Tanzanian public rate. Contract discussions are continuing and both parties have confirmed their commitment to find a fair and reasonable solution.

Since 1 July 2008, RTL has continued to pay (or accrue) the electricity costs at the general Tanzanian public rate, as both Tanesco and RTL have agreed that while rate negotiations are ongoing, RTL will continue to pay the general Tanzanian public rate. The difference between the billed rate and the general Tanzanian public rate for electricity used by RTL between 1 July 2008 to 30 June 2010, which has not been accrued for or paid, is approximately 3.8b Tsh (US\$2.5m), bringing the total unrecognised amount in dispute to 8.4b Tsh (US\$5.6m).

Commitments

(a) Randgold/Syama Royalty

Pursuant to the terms of the Syama Sale and Purchase agreement, Randgold Resources Limited will receive a royalty on Syama production, where the gold price exceeds US\$350 per ounce, of US\$10 per ounce on the first million ounces of gold production attributable to Resolute Mining Limited ("RML") and US\$5 per ounce on the next three million attributable ounces of gold production.

(b) Nyakafuru Royalty

Resolute will be required to pay a royalty of US\$10 per ounce for each additional resource ounce, attributable to the former Iamgold 34% interest that is proven up on the project, up to a total cap of US\$3.75m.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 33: EARNINGS PER SHARE (EPS)

	Consolidated	
	2010	2009
Basic earnings per share		
(Loss)/profit used in calculation of basic earnings per share (\$'000)	(37,173)	30,676
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	375,297,701	297,921,013
Basic EPS (cents per share)	(9.90)	10.30
Diluted earnings per share		
Net (loss)/profit attributable to ordinary equity holders of the parent adjusted for the effect of convertible notes (\$'000)	(30,810)	30,676
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	375,297,701	297,921,013
Weighted average number of notional shares used in determining diluted EPS	n/a	17,103,396
Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted EPS	375,297,701	315,024,409
Number of potential ordinary shares that are not dilutive and hence not included in calculation of diluted EPS	200,669,184	2,900,000
Diluted EPS (cents per share)	(9.90)	9.74

Dilutive instruments have not been included in the calculation of diluted earnings per share for 2010 because the result for the year was a loss.

Between the reporting date and the date of completion of these financial statements there have been the following transactions involving ordinary shares or potential ordinary shares:

- a) 149,999 unlisted and 299 listed options over Resolute Mining Limited Ordinary Shares were issued at an average exercise price of \$0.42 per option; and,
- b) the issuance of Resolute Mining Limited Ordinary Shares were included in the confirmed details of a capital raising (refer to Note 38).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 34: KEY MANAGEMENT PERSONNEL

(a) Key management personnel

(i) Directors

P. Huston	Non-Executive Chairman
P. Sullivan	Director and Chief Executive Officer
T. Ford	Non-Executive Director
H. Price	Non-Executive Director

(ii) Executives

G. Fitzgerald	General Manager - Finance & Administration and Company Secretary
P. Venn	General Manager - Business Development (Appointed 21 July 2008)
A. King	General Manager - Operations (Appointed 1 December 2008, contract terminated 30 July 2010)
M. Christie	General Manager - Exploration (Contract terminated 18 July 2008)*
M. Turner	General Manager - Operations (Contract terminated 12 September 2008)*

*Included in 2009 key management personnel

(b) Compensation of key management personnel

Details of remuneration provided to key management personnel are as follows:

	Consolidated	
	2010	2009
	\$	\$
Short-term employee benefits	2,032,378	1,719,550
Post-employment benefits	199,175	235,209
Share-based payments	119,004	65,982
	<u>2,350,557</u>	<u>2,020,741</u>

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 34: KEY MANAGEMENT PERSONNEL (continued)

(a) Details of option holdings of key management personnel are as follows

2010	Options type	Balance at the start of the year	Granted during the year as compensation (i)	Grant date	Fair value of options at grant date	Total fair value of options at grant date	First exercise date of options granted during the year	Expiry & last exercise date of options granted during the year	Exercise price of options granted during the year	Exercised during the year	Lapsed during the year	Acquired during the year	Balance at the end of the year	Vested and exercisable at the end of the year		Value of options exercised during the year
					\$	\$			\$					No.	%	\$
Directors																
P. Huston	Listed	26,761	-	-	-	-	-	-	-	-	-	-	26,761	-	-	-
P. Sullivan	Listed	133,333	-	-	-	-	-	-	-	-	-	-	133,333	-	-	-
T. Ford	Listed	133,333	-	-	-	-	-	-	-	-	-	-	133,333	-	-	-
H. Price	Listed	67,554	-	-	-	-	-	-	-	-	-	-	67,554	-	-	-
Officers																
G. Fitzgerald	Unlisted	225,000	90,000	15 Feb 2010	0.49	44,100	15 Aug 2010	14 Feb 2015	1.09	-	-	-	359,102	100,000	27.85	-
P. Venn	Unlisted	225,000	90,000	15 Feb 2010	0.49	44,100	15 Aug 2010	14 Feb 2015	1.09	-	-	-	359,102	100,000	27.85	-
P. Venn (ii)	Listed	-	-	-	-	-	-	-	-	-	-	5,000	5,000	5,000	100.00	-
A. King (iii)	Unlisted	150,000	90,000	15 Feb 2010	0.49	44,100	15 Aug 2010	14 Feb 2015	1.09	(50,000)	-	-	234,102	-	-	32,500

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FINANCIAL REPORT
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 34: KEY MANAGEMENT PERSONNEL (continued)

2009	Options type	Balance at the start of the year	Granted during the year as compensation (i)	Grant date	Fair value of options at grant date	Total fair value of options at grant date	First exercise date of options granted	Expiry & last exercise date of options granted during the year	Exercise price of options granted during the year	Exercised during the year	Lapsed during the year (vii)	Acquired during the year (viii)	Balance at the end of the year	Vested and exercisable at the end of the year		Value of options exercised during the year
					\$	\$			\$					No.	%	\$
Directors																
P. Huston	Listed	-	-	-	-	-	-	-	-	-	-	26,761	26,761	-	-	-
P. Sullivan	Listed	-	-	-	-	-	-	-	-	-	-	133,333	133,333	-	-	-
T. Ford	Listed	-	-	-	-	-	-	-	-	-	-	133,333	133,333	-	-	-
H. Price	Listed	-	-	-	-	-	-	-	-	-	-	67,554	67,554	-	-	-
Officers																
M. Turner	Unlisted	75,000	-	-	-	-	-	-	-	-	(75,000)	-	-	-	-	-
G. Fitzgerald (vi)	Unlisted	75,000	150,000	31 Jan 2009	0.20	30,000	1 Feb 2010	31 Jan 2014	0.42	-	-	-	225,000	25,000	11.11	-
M. Christie (iv)	Unlisted	225,000	-	-	-	-	-	-	-	(150,000)	(75,000)	-	-	-	-	19,500
P. Venn (v),(vi)	Unlisted	24,000	201,000	(v)	(v)	62,640	(v)	(v)	(v)	-	-	-	225,000	25,000	11.11	-
A. King	Unlisted	-	150,000	31 Jan 2009	0.20	30,000	1 Feb 2010	31 Jan 2014	0.42	-	-	-	150,000	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

NOTE 34: KEY MANAGEMENT PERSONNEL (continued)

- (i) Options granted vest in accordance with the Resolute Mining Limited Employee Share Option Plan following the review by the Employee Share Option Plan Committee of the key management personnel's performance. For details on the valuation of the options, including models and assumptions used, refer to Note 31.
- (ii) During the year P. Venn acquired on the market 5,000 listed options over Resolute Mining Limited ordinary shares.
- (iii) On 1 April 2010, 50,000 options were exercised at a price of \$0.42 per option. These options were due to expire on 31 January 2014. The total fair value at grant date of the options exercised was \$10,200. On 30 July 2010, a further 50,000 options were subsequently exercised at a price of \$0.42 per option. In each instance of exercising options, one ordinary share was issued for each option exercised. There were no unpaid amounts relating to any ordinary shares acquired through the exercise of options.
- (iv) On 29 August 2008, 150,000 options were exercised at a price of \$1.42 per option. These options were due to expire on 21 December 2009. The total fair value at grant date of the options exercised was \$102,915. One ordinary share was issued for each option exercised. There were no unpaid amounts relating to any ordinary shares acquired through the exercise of options. All remaining options lapsed.
- (v) On 29 August 2008, 51,000 options were granted with a fair value of \$0.64 per option. The total fair value of these options granted was \$32,640. The exercise price of these options is \$1.62. First exercise date of these options was 28 February 2009. These options have an expiry date and last exercise date of 29 August 2013. On 31 January 2009, 150,000 options were granted with an exercise price of \$0.42 and expiry date of 31 January 2014. The fair value of the options at grant date was \$0.20 per option. The total fair value of these options granted was \$30,000. First exercise date of these options is 1 February 2010. These options have an expiry date and last exercise date of 31 January 2014.
- (vi) Pursuant to rights issues made on 31 December 2008, 28 January 2009 and 4 February 2009, the strike price reduced by 1 cent per option, which resulted in a less than \$300 decrease in total fair value of options held by P. Venn and G. Fitzgerald (all other key management personnel: nil). There were no other changes in the terms of the options, including the class of the underlying equity instrument, time remaining until expiry, or any terms affecting the vesting or exercise rights of the options. The market price of Resolute Mining Limited shares at each of the modification dates was as follows:

<u>Modification date</u>	<u>Share price</u>
4 February 2009	\$0.48
28 January 2009	\$0.42
31 December 2008	\$0.50
5 November 2007	\$1.88

- (vii) The value of the lapsed options at the date of lapse was \$101,032 for M. Christie and \$70,087 for M. Turner.
- (viii) These options were acquired through participation in a capital raising. The options have the same terms and conditions as the existing listed series (ASX:RSGO).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 34: KEY MANAGEMENT PERSONNEL (continued)

(b) Details of share holdings of key management personnel are as follows:

2010	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors				
P. Huston	401,421	-	-	401,421
P. Sullivan (i)	3,157,008	-	12,269	3,169,277
T. Ford (i)	14,208	-	12,269	26,477
H. Price (i)	18,638	-	6,134	24,772
Officers				
G. Fitzgerald	-	-	-	-
P. Venn (ii)	16,000	-	(8,000)	8,000
A. King (iii)	20,000	50,000	-	70,000
2009	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors				
P. Huston (iv)	361,279	-	40,142	401,421
P. Sullivan (i)	3,146,400	-	10,608	3,157,008
T. Ford (i)	3,600	-	10,608	14,208
H. Price (i)(iv)	12,000	-	6,638	18,638
Officers				
M. Turner (v)	-	-	-	-
G. Fitzgerald	-	-	-	-
M. Christie (v)	186,000	150,000	-	336,000
P. Venn	16,000	-	-	16,000
A. King	-	-	20,000	20,000

- (i) These shares were issued by the company in lieu of interest owing on convertible notes held by the director.
- (ii) These shares were acquired or sold at the prevailing market price; no amounts remain unpaid as at 30 June 2010.
- (iii) These shares were acquired through the exercise of options.
- (iv) These shares were acquired through participation in a rights issue.
- (v) Balance at the end of the year refers to the date of termination.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 34: KEY MANAGEMENT PERSONNEL (continued)

(c) Details of convertibles note holdings of key management personnel are as follows:

2010	Balance at the start of the year	Acquired during the year	Balance at the end of the year
Directors			
P. Huston	-	-	-
P. Sullivan	200,000	-	200,000
T. Ford	200,000	-	200,000
H. Price	100,000	-	100,000
Officers			
G. Fitzgerald	-	-	-
P. Venn	-	-	-
A. King	-	-	-
2009	Balance at the start of the year	Acquired during the year	Balance at the end of the year
Directors			
P. Huston	-	-	-
P. Sullivan	-	200,000	200,000
T. Ford	-	200,000	200,000
H. Price	-	100,000	100,000
Officers			
M. Turner	-	-	-
G. Fitzgerald	-	-	-
M. Christie	-	-	-
P. Venn	-	-	-
A. King	-	-	-

These convertible notes were acquired through participation in a capital raising.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 35: OPERATING SEGMENTS

The Group has identified three operating segments based on the internal reports that are reviewed and used by the chief executive officer and his management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management as being operating mine sites. Each of the mine sites are managed separately and they operate in different regulatory and economic environments.

The principal activities of each operating segment are gold mining and prospecting and exploration for minerals.

Information regarding the operations of each reportable segment is included below. Performance is measured based on ounces delivered and cost of production per ounce. Management believe that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within the gold mining industry.

The accounting policies used by the Group in reporting segments are the same as those used in the preparation of financial statements.

Inter-entity gold sales are recognised based on the prevailing spot price. The price is aimed to reflect what the segment would have achieved if it sold its gold to external parties at arm's length.

Income tax expense is calculated based on the segment operating net profit using a notional charge of the respective tax jurisdiction. No effect is given for taxable or deductible temporary differences.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Realised and unrealised treasury transactions, including derivative contract transactions;
- Finance costs - including adjustments on provisions due to discounting; and,
- Net gains/losses on disposal of available-for-sale investments.

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NOTE 35: OPERATING SEGMENTS (continued)

2010	RAVENSWOOD (AUSTRALIA) \$'000	GOLDEN PRIDE (TANZANIA) \$'000	SYAMA (MALI) \$'000	UNALLOCATED		TOTAL \$'000
				CORP/OTHER \$'000 (c)	TREASURY \$'000 (c)	
Revenue						
Gold sales at spot to external customers (a)	158,456	181,446	54,034	-	-	393,936
Total segment gold sales revenue	158,456	181,446	54,034	-	-	393,936
Cash costs	(101,081)	(86,617)	(46,441)	-	-	(234,139)
Depreciation and amortisation	(21,034)	(6,155)	(15,952)	-	-	(43,141)
Other operating costs (b)	(6,112)	(6,990)	(291)	(388)	-	(13,781)
Other corporate/admin costs (b)	(53)	-	-	(3,627)	-	(3,680)
Segment operating result before treasury, other income/(expenses) and tax	30,176	81,684	(8,650)	(4,015)	-	99,195
Finance costs	-	-	-	-	(11,220)	(11,220)
Other realised treasury	-	-	-	-	(51,257)	(51,257)
Segment operating result before unrealised treasury, other income/(expenses) and tax	30,176	81,684	(8,650)	(4,015)	(62,477)	36,718
Other income	38	9	-	9,297	294	9,638
Exploration expenditure	(1,586)	(2,415)	(2,995)	(2,284)	-	(9,280)
Other	-	-	-	(1,052)	-	(1,052)
Unrealised treasury	-	-	-	-	(75,976)	(75,976)
Income tax (expense)/benefit	(2,290)	(15,555)	-	1,226	-	(16,619)
Net profit/(loss) after tax	26,338	63,723	(11,645)	3,172	(138,159)	(56,571)

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 35: OPERATING SEGMENTS (continued)

2010	RAVENSWOOD (AUSTRALIA) \$'000	GOLDEN PRIDE (TANZANIA) \$'000	SYAMA (MALI) \$'000	UNALLOCATED		TOTAL \$'000
				CORP/OTHER \$'000 (c)	TREASURY \$'000 (c)	
Reconciliation of total segment revenue to statement of comprehensive income:						
Total segment gold sales revenue to external customers						393,936
Realised loss on gold forward contracts						(59,084)
Amortisation of gold hedge reserve						7,632
Total revenue per statement of comprehensive income						<u>342,484</u>
Cash flow by segment, including receivables - gold bullion sales	30,292	73,726	(49,711)	(5,898)	(33,360)	15,049
Reconciliation of cash flow by segment to the cash flow statement:						
Movement in receivables - gold bullion sales						(9,405)
Movement in bank overdraft						(538)
Exchange rate adjustment						(43)
Movement in cash and cash equivalents per cash flow statement						<u>5,063</u>
Capital expenditure	18,160	3,407	67,303	8,936	-	97,806
Segment assets	121,117	79,131	380,726	31,572	89	612,635
Non-current assets based on their locations	100,183	30,195	327,349	19,051	-	476,778
Segment liabilities	26,983	24,685	40,929	6,373	230,625	329,595

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 35: OPERATING SEGMENTS (continued)

2009	RAVENSWOOD (AUSTRALIA) \$'000	GOLDEN PRIDE (TANZANIA) \$'000	SYAMA (MALI) \$'000	UNALLOCATED		TOTAL \$'000
				CORP/OTHER \$'000 (c)	TREASURY \$'000 (c)	
Revenue						
Gold sales at spot to external customers (a)	182,159	147,428	-	-	-	329,587
Total segment gold sales revenue	182,159	147,428	-	-	-	329,587
Cash costs	(115,919)	(83,283)	-	-	-	(199,202)
Depreciation and amortisation	(19,955)	(7,623)	-	-	-	(27,578)
Other operating costs (b)	(7,254)	(6,807)	(2,103)	-	-	(16,164)
Other corporate/admin costs (b)	-	-	-	(4,223)	-	(4,223)
Segment operating result before treasury, other income/(expenses) and tax	39,031	49,715	(2,103)	(4,223)	-	82,420
Finance costs	-	-	-	-	(4,069)	(4,069)
Other realised treasury	-	-	-	-	(34,036)	(34,036)
Segment operating result before unrealised treasury, other income/(expenses) and tax	39,031	49,715	(2,103)	(4,223)	(38,105)	44,315
Other income	-	-	-	11,496	425	11,921
Exploration expenditure	(849)	(4,046)	(3,223)	(3,425)	-	(11,543)
Asset impairment	(9,182)	(3,180)	-	(4,130)	-	(16,492)
Unrealised treasury	-	-	-	-	1,141	1,141
Income tax (expense)/benefit	(1,760)	-	-	3,094	-	1,334
Net profit/(loss) after tax	27,240	42,489	(5,326)	2,812	(36,539)	30,676

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 35: OPERATING SEGMENTS (continued)

2009	RAVENSWOOD (AUSTRALIA) \$'000	GOLDEN PRIDE (TANZANIA) \$'000	SYAMA (MALI) \$'000	UNALLOCATED		TOTAL \$'000
				CORP/OTHER \$'000 (c)	TREASURY \$'000 (c)	
Reconciliation of total segment revenue to statement of comprehensive income:						
Total segment gold sales revenue to external customers						329,587
Realised loss on gold forward contracts						(35,859)
Amortisation of gold hedge reserve						5,985
Total revenue per statement of comprehensive income						<u>299,713</u>
Cash flow by segment, including receivables - gold bullion sales	43,949	37,987	(158,208)	(5,731)	62,436	(19,567)
Reconciliation of cash flow by segment to the cash flow statement:						
Movement in receivables - gold bullion sales						57
Movement in bank overdraft						(5,821)
Exchange rate adjustment						1,240
Movement in cash and cash equivalents per cash flow statement						<u>(24,091)</u>
Capital expenditure	30,867	15,381	156,230	20	-	202,498
Segment assets	119,944	81,111	422,169	9,392	6,457	639,073
Non-current assets based on their locations	102,711	43,008	371,201	8,747	-	525,667
Segment liabilities	32,121	21,097	39,363	2,864	240,322	335,767

NOTES TO THE FINANCIAL STATEMENTS

NOTE 35: OPERATING SEGMENTS (CONTINUED)

- (a) Revenue from external sales for each reportable segment is derived from several customers. Except for two particular customers, the other customers individually make up greater than 10% of the respective segments' sales revenue.
- (b) Includes inter-segment revenue and expenditure.
- (c) This information does not represent an operating segment as defined by AASB 8, however this information is analysed in this format by the Chief Operating Decision Makers, and forms part of the reconciliation of the results and positions of the operating segments to the financial statements.

NOTE 36: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including gold price risk, diesel fuel price risk, currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks, where considered appropriate, to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments to manage certain risk exposures. Derivatives are used exclusively for managing financial risks, and not as trading or other speculative instruments.

Risk management is carried out by the Group's Financial Risk Management Committee under policies approved by the Board of Directors. The Financial Risk Management Committee identifies, evaluates and manages financial risks as deemed appropriate. The Board provides guidance for overall risk management, including guidance on specific areas, such as mitigating commodity price, foreign exchange, interest rate and credit risks, by using derivative financial instruments.

(a) Market risk

Use of derivative instruments to assist in managing gold price risk

The Group is exposed to movements in the gold price. As part of the risk management policy of the Group and in compliance with the conditions required by the Group's financiers, a variety of financial instruments (such as gold forward sales contracts, gold call options and gold put options) are used from time to time to reduce exposure to unpredictable fluctuations in the project life revenue streams. Within this context, the programs undertaken are structured with the objective of retaining as much upside to the gold price as possible, but in any event, by limiting derivative commitments to no more than 50% of the Group's gold reserves. The value of these financial instruments at any given point in time, will in times of volatile market conditions, show substantial variation over the short term. The facilities provided by the Group's various counterparties do not contain margin calls. The Group does not hedge account for these instruments as at balance date as noted below.

During the financial year, the Group delivered 114,423 ounces of gold into forward sales contracts at an average price of A\$731 per ounce (2009: 79,288 ounces of gold at an average price of A\$745 per ounce).

Details of the gold derivative contracts at year end are shown below. To calculate the Group's total gold derivative contracts in the table below, gold denominated in USD has been converted to an AUD equivalent using the year end USD/AUD spot rate of US\$0.8520 (2009: US\$0.8142).

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 36: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Gold forwards and put options

2010	Forward Sales		Put Options Bought		Total	
	Ounces	Sales Price \$/Ounce	Ounces	Strike Price \$/Ounce	Ounces	\$/Ounce
<u>AUD Denominated Contracts</u>						
Maturity within 1 year	128,065	761	52,800	1,000	180,865	830
Between 1 and 2 years	27,015	726	57,200	1,000	84,215	912
Total	155,080	755	110,000	1,000	265,080	856

2009	Forward Sales		Put Options Bought		Total	
	Ounces	Sales Price \$/Ounce	Ounces	Strike Price \$/Ounce	Ounces	\$/Ounce
<u>AUD Denominated Contracts</u>						
Maturity within 1 year	77,361	726	-	-	77,361	726
Between 1 and 2 years	108,061	726	52,800	1,000	160,861	816
Between 2 and 3 years	27,015	726	57,200	1,000	84,215	912
Total	212,437	726	110,000	1,000	322,437	819

<u>USD Denominated Contracts</u>						
Maturity within 1 year	37,065	522	-	-	37,065	522
Total	37,065	522	-	-	37,065	522

<u>Total (converted to AUD)</u>						
Maturity within 1 year	114,427	698	-	-	114,427	698
Between 1 and 2 years	108,061	726	52,800	1,000	160,861	816
Between 2 and 3 years	27,015	726	57,200	1,000	84,215	912
Total	249,503	713	110,000	1,000	359,503	801

Gold call options sold

	Ounces	Strike Price A\$
2009		
Maturity within one year	10,000	1,300

There were no sold call option contracts outstanding as at 30 June 2010.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 36: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Movements in the fair value of these contracts are accounted for through the consolidated statement of comprehensive income. From 1 July 2007, no contracts satisfy the criteria for hedge accounting. As at 30 June 2007, 625,404 contracted ounces met the criteria for hedge accounting. As a result \$43.4m was deferred in equity in the prior years. In accordance with accounting policy at Note 1(n) this amount was transferred to the consolidated statement of comprehensive income when the forecasted sales transaction occurred. There are no amounts remaining in reserves at 30 June 2010.

Diesel fuel price risk

The Group is exposed to movements in the diesel fuel price. The costs incurred purchasing diesel fuel for use by the Group's operations is significant. The Group's Financial Risk Management Committee continues to manage and monitor diesel fuel price risk. At present, the Group does not specifically hedge its exposure to diesel fuel price movements.

Foreign exchange currency risk

The Group receives USD proceeds on the sale of some of its gold production and significant costs for the Syama Gold Project and the Golden Pride Project are denominated in both USD and the local currencies of those operations, and as such movements within these currencies expose the Group to exchange rate risk.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk can be measured by performing a sensitivity analysis that quantifies the impact of different assumed exchange rates on the Group's forecast cash flows.

The Group's Financial Risk Management Committee continues to manage and monitor foreign exchange currency risk. At present, the Group does not specifically hedge its exposure to foreign currency exchange rate movements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 36: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

The Group's exposure to foreign exchange currency risk at the reporting date was as follows:

2010

	United States Dollars A\$'000	Australian Dollars A\$'000	Tanzanian Shillings A\$'000	Other A\$'000	No foreign currency risk A\$'000	Total A\$'000
Financial Assets						
Cash	3,540	987	1,725	15	11,992	18,259
Receivables	9,614	83	10,128	8	445	20,278
Available for sale financial assets	-	-	-	126	692	818
Financial derivative assets	-	-	-	-	990	990
	<u>13,154</u>	<u>1,070</u>	<u>11,853</u>	<u>149</u>	<u>14,119</u>	<u>40,345</u>
Financial Liabilities						
Payables	6,493	2,031	868	3,317	34,943	47,652
Interest bearing liabilities (i)	49,327	-	-	-	73,418	122,745
Financial derivative liabilities	-	-	-	-	113,101	113,101
Other financial liabilities	37	-	-	-	-	37
	<u>55,857</u>	<u>2,031</u>	<u>868</u>	<u>3,317</u>	<u>221,462</u>	<u>283,535</u>

2009

	United States Dollars A\$'000	Australian Dollars A\$'000	Tanzanian Shillings A\$'000	Other A\$'000	No foreign currency risk A\$'000	Total A\$'000
Financial Assets						
Cash	2,033	1,314	775	15	8,564	12,701
Receivables	-	166	7,169	-	2,875	10,210
Available for sale financial assets	-	-	-	55	1,052	1,107
Financial derivative assets	-	-	-	-	6,457	6,457
	<u>2,033</u>	<u>1,480</u>	<u>7,944</u>	<u>70</u>	<u>18,948</u>	<u>30,475</u>
Financial Liabilities						
Payables	721	6,520	808	5,384	42,702	56,135
Interest bearing liabilities (i)	63,929	-	-	-	61,086	125,015
Financial derivative liabilities	18,847	-	-	-	96,460	115,307
Other financial liabilities	193	-	-	-	-	193
	<u>83,690</u>	<u>6,520</u>	<u>808</u>	<u>5,384</u>	<u>200,248</u>	<u>296,650</u>

(i) Several of the intercompany balances between Group entities create foreign exchange differences which are not eliminated from the Group's consolidated statement of comprehensive income. Those intercompany balances are not shown here as they are eliminated from the Group's consolidated statement of financial position. Refer to the table below for the significant intercompany balances outstanding at 30 June 2010.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 36: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

2010	Facility currency denomination	Functional Currency of the borrower	AUD equivalent	
			2010 \$'000	2009 \$'000
Resolute Mining Limited (beneficiary)/Resolute (Somisy) Limited	AUD	Central African Franc	410,499	364,417
Resolute (Tanzania) Limited (beneficiary)/Resolute Pty Ltd	USD	AUD	68,541	26,100
			<u>479,040</u>	<u>390,517</u>

(b) Interest rate risk

The Group's main interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. For the 2010 and 2009 financial years, the majority of the Group's borrowings have been denominated in both USD and AUD.

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to the potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates. There is no intention at this stage to enter into any interest rate swaps.

The following tables summarises the financial assets and liabilities of the Group, together with effective interest rates as at balance date.

2010	Floating Interest Rate \$'000	Fixed Interest Rate Maturing in			Non Interest Bearing \$'000	Total \$'000	Average Interest Rate	
		<1 Year \$'000	1 to 5 Years \$'000	>5 Years \$'000			Floating	Fixed
Financial Assets								
Cash	18,259	-	-	-	-	18,259	1.5%	-
Receivables	-	-	-	-	20,278	20,278	-	-
Available for sale financial assets	-	-	-	-	818	818	-	-
Financial derivative assets	-	-	-	-	990	990	-	-
	<u>18,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,086</u>	<u>40,345</u>		
Financial Liabilities								
Payables	-	-	-	-	47,652	47,652	-	-
Interest bearing liabilities	37,455	13,123	72,167	-	-	122,745	5.4%	15.2%
Financial derivative liabilities	-	92,075	21,026	-	-	113,101	-	9.9%
Other financial liabilities	-	-	-	-	37	37	-	-
	<u>37,455</u>	<u>105,198</u>	<u>93,193</u>	<u>-</u>	<u>47,689</u>	<u>283,535</u>		

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 36: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

2009	Floating	Fixed Interest Rate			Non Interest	Total	Average Interest Rate	
	Interest	Maturing in			Bearing		Floating	Fixed
	Rate	< 1 Year	1 to 5 Years	> 5 Years				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
Financial Assets								
Cash	12,701	-	-	-	-	12,701	0.3%	-
Receivables	-	-	-	-	10,210	10,210	-	-
Available for sale financial assets	-	-	-	-	1,107	1,107	-	-
Financial derivative assets	-	-	-	-	6,457	6,457	-	-
	12,701	-	-	-	17,774	30,475		
Financial Liabilities								
Payables	-	-	-	-	56,135	56,135	-	-
Interest bearing liabilities	52,632	43,623	28,760	-	-	125,015	2.1%	13.7%
Financial derivative liabilities	-	52,949	62,358	-	-	115,307	-	9.2%
Other financial liabilities	-	-	-	-	193	193	-	-
	52,632	96,572	91,118	-	56,328	296,650		

(c) Credit risk exposure

The group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets as well as US\$3.1m in relation to financial guarantees granted (see note 20(a)).

Credit risk is managed on a Group basis. Credit risk predominately arises from cash, cash equivalents, derivative financial instruments, deposits with banks and financial institutions and receivables from statutory authorities. For derivative financial instruments, management mitigates some credit risk by using a number of different hedging counterparties.

Credit risk further arises in relation to financial guarantees given to certain parties. Such guarantees are only provided in exceptional circumstances and are subject to Financial Risk Management Committee approval. Refer to Note 17 (a) and (b) and Note 20 for information on guarantees provided.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Consolidated	
	As at	As at
	30-Jun-10	30-Jun-09
	\$'000	\$'000
Cash at bank & short term deposits		
<i>Counterparties with external credit ratings</i>		
A+	13,562	10,448
BBB	4,376	1,958
<i>Counterparties without external credit ratings</i>		
No rating	321	295
Total cash at bank & short term deposits	18,259	12,701

NOTES TO THE FINANCIAL STATEMENTS

NOTE 36: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

	Consolidated	
	As at 30-Jun-10 \$'000	As at 30-Jun-09 \$'000
Trade receivables		
<i>Counterparties with external credit ratings</i>		
AA+	1,132	1,128
B-	579	702
<i>Counterparties without external credit ratings *</i>		
Group 1	2,249	2,725
Group 2	11,500	8,737
Total trade receivables	15,460	13,292
Financial derivative assets		
AA-	990	6,457
Total financial derivative assets	990	6,457

* Group 1 refers to existing counterparties with no defaults in the past. Group 2 refers to existing counterparties where difficulty in recovering these debts in the past has been experienced.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, or having the availability of funding through an adequate amount of undrawn committed credit facilities.

As at 30 June 2010, the Group had \$4.7m (AUD equivalent) in unused bank overdraft facilities (2009: \$5.1m (AUD equivalent)).

Refer to Note 1(a) for the discussion on future cash flow requirements.

The remaining contractual maturities of the Group's financial liabilities, including future finance costs, are:

Liquidity analysis

Due within 1 to 3 months	82,864	73,499
Due within 4 months to one year	62,149	56,865
Due between one and five years	177,288	206,987
Total contractual repayments	322,301	337,351

NOTES TO THE FINANCIAL STATEMENTS

NOTE 36: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(e) Instruments recognised at amounts other than fair value

Except for the liability portion of the convertible notes, the fair value of all the Group's financial instruments recognised in the financial statements approximates or equals their carrying amounts.

The fair value of the liability portion of the convertible notes is estimated using the market interest rate available to the issuer for an instrument with identical terms but without the conversion option.

(f) Fair values for instruments recognised at fair value

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1 – the fair value is calculated using quoted prices in active markets.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	As at 30 June 2010				As at 30 June 2009			
	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Valuation technique - non market observable inputs (Level 3)	Total	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Valuation technique - non market observable inputs (Level 3)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets								
Available for sale financial assets	818	-	-	818	1,107	-	-	1,107
Financial derivative assets	-	990	-	990	-	6,457	-	6,457
	818	990	-	1,808	1,107	6,457	-	7,564
Financial Liabilities								
Financial derivative liabilities	-	113,101	-	113,101	-	115,307	-	115,307
	-	113,101	-	113,101	-	115,307	-	115,307

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

For financial instruments not quoted in active markets, the Group uses a valuation technique such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 36: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include forward commodity.

The fair value of unlisted debt and equity securities, as well as other investments that do not have an active market, are based on valuation techniques using market data that is not observable. Where the impact of credit risk on the fair value of a derivative is significant, and the inputs on credit risk are not observable, the derivative would be classified as based on non observable market inputs (Level 3). Certain long dated forward commodity contracts where there are no observable forward prices in the market are classified as Level 2 as the unobservable inputs are not considered significant to the overall value of the contract.

(g) Transfer between categories

There were no transfers between Level 1 and Level 2 during the year.

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NOTE 36: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(h) Sensitivity analysis

The following table summarises the post tax effect of the sensitivity of the Group's financial assets and financial liabilities on profit and equity at balance date to interest rate risk, foreign exchange currency risk and gold price risk.

Consolidated 30 June 2010	Carrying Amount \$'000	Interest rate risk				Foreign exchange risk				Gold price risk			
		-1%		+1%		-10%		+10%		-10%		+10%	
		Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets													
Cash and cash equivalents	18,259	(128)	(128)	128	128	621	621	(421)	(421)	-	-	-	-
Trade and other receivables	20,278	-	-	-	-	1,489	1,489	(1,217)	(1,217)				
Available for sale financial assets	818	-	-	-	-	(9)	(9)	9	9	-	-	-	-
Financial derivative assets	990	77	77	(70)	(70)	(341)	(341)	537	537	611	611	(316)	(316)
Financial Liabilities													
Payables	47,652	-	-	-	-	(571)	(571)	496	496	-	-	-	-
Interest bearing liabilities	122,745	275	275	(275)	(275)	(38,933)	(38,933)	31,854	31,854	-	-	-	-
Financial derivative liabilities	113,101	451	451	(445)	(445)	(17,649)	(17,649)	14,440	14,440	15,877	15,877	(15,877)	(15,877)
Other financial liabilities	37	-	-	-	-	-	-	-	-	-	-	-	-
Total increase/(decrease)		675	675	(662)	(662)	(55,393)	(55,393)	45,698	45,698	16,488	16,488	(16,193)	(16,193)

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NOTE 36: FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Consolidated 30 June 2009	Carrying Amount \$'000	Interest rate risk				Foreign exchange risk				Gold price risk			
		-1%		+1%		-10%		+10%		-10%		+10%	
	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000	Profit \$'000
Financial Assets													
Cash and cash equivalents	12,701	(89)	(89)	89	89	295	295	(265)	(265)	-	-	-	-
Trade and other receivables	10,210	-	-	-	-	1,676	1,676	(1,035)	(1,035)	-	-	-	-
Available for sale financial assets	1,107	-	-	-	-	4	4	(4)	(4)	-	-	-	-
Financial derivative assets	6,457	-	-	-	-	(1,665)	(1,665)	2,020	2,020	2,261	2,261	(1,530)	(1,530)
Financial Liabilities													
Payables	56,135	-	-	-	-	(523)	(523)	817	817	-	-	-	-
Interest bearing liabilities	125,015	378	378	(378)	(378)	(33,321)	(33,321)	27,263	27,263	-	-	-	-
Financial derivative liabilities	115,307	-	-	-	-	(20,665)	(20,665)	16,743	16,743	20,063	20,063	(20,235)	(20,235)
Other financial liabilities	193	-	-	-	-	-	-	-	-	-	-	-	-
Total increase/(decrease)		289	289	(289)	(289)	(54,199)	(54,199)	45,539	45,539	22,324	22,324	(21,765)	(21,765)

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 37: SALE OF SUBSIDIARIES

During the year the Group sold a number of its Ghanaian subsidiaries to Viking Ashanti Limited. Consideration was received in the form of 23 million ordinary shares in Viking Ashanti (33.25% of the ordinary share capital) and cash.

Assets and liabilities of disposed entities:

The major classes of assets and liabilities are as follows:

	Associated Gold Fields Pty Ltd \$'000	Ghana Mining Investments Pty Ltd \$'000	Kiwi International Resources Pty Ltd \$'000	Obenemase Gold Mines Ltd \$'000	Resolute Amansie Limited \$'000	Kiwi Goldfields Limited \$'000	Afore Mining Company Limited \$'000	Total \$'000
<i>Assets</i>								
Trade and other receivables	-	-	-	12	890	1	-	903
Inventories	-	-	-	-	26	-	-	26
Property, plant and equipment	-	-	-	-	35	-	-	35
Other	-	-	-	-	66	-	-	66
	-	-	-	12	1,017	1	-	1,030
<i>Liabilities</i>								
Trade and other payables	-	-	-	(37)	(85)	-	(2)	(124)
	-	-	-	(37)	(85)	-	(2)	(124)
Net (liabilities)/assets attributable to subsidiaries disposed of	-	-	-	(25)	932	1	(2)	906

RESOLUTE MINING LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 37: SALE OF SUBSIDIARIES (continued)

Gain on disposal of subsidiary

	As at 30-Jun-10 \$'000
<i>Consideration received:</i>	
Shares in Viking Ashanti Limited	6,000
Cash	284
Total consideration	6,284
Less net assets of entities disposed	(906)
Add foreign currency translation disposed of	1,886
Gain on disposal of subsidiaries before income tax	7,264
Other costs incidental to sale	(56)
Income tax expense	-
Gain on disposal of subsidiaries after income tax	7,208
<i>Net cash inflow on disposal:</i>	
Cash and cash equivalents consideration	284
Less cash and cash equivalents balance disposed of:	-
Reflected in the consolidated statement of cash flows	284

NOTES TO THE FINANCIAL STATEMENTS

NOTE 38: SUBSEQUENT EVENTS

On 20 September 2010, Resolute Mining Limited entered into an agreement to raise \$40.0 million in new equity. The net proceeds from this raising will primarily be applied to partially fund the close out of the Group's gold derivative contracts with the balance used for working capital and general corporate purposes.

Resolute Mining Limited has received approval from its derivative contract counterparties, Barclays Bank PLC and Investec Bank (Australia) Limited, to neutralise, through forward gold purchases, the portion of its gold derivative contracts not closed out with the proceeds from the equity raising. As a result, Resolute Mining Limited will become effectively unhedged and fully exposed to gold price movements.

The equity proceeds were raised through a combination of an institutional placement and exercise of existing listed options (ASX:RSGO). A total of approximately 11.8 million shares were issued at \$1.24 per share under the placement and approximately 42.4 million options were exercised at a price of \$0.60 per option. Funds are expected to be received by 5 October 2010. Morgan Stanley has underwritten this capital raising, which includes a right to terminate the capital raising if the S&P/ASX 200 Index falls at any time by an amount that is 10% or more of the level of that index at the close of trading on 17 September 2010.

RESOLUTE MINING LIMITED
FINANCIAL REPORT
For the year ended 30 June 2010

NOTES TO THE FINANCIAL STATEMENTS

NOTE 39: PARENT ENTITY INFORMATION

Information relating to Resolute Mining Limited:

	As at 30-Jun-10 \$'000	As at 30-Jun-09 \$'000
Current Assets	2,422	654
Total Assets	434,803	455,224
Current Liabilities	17,770	69,719
Total Liabilities	105,315	157,511
Issued Capital	237,083	209,680
Retained Earnings	70,114	78,978
Convertible Note Equity Reserve	11,646	3,492
Option Equity Reserve	8,554	4,064
Share Based Payments Reserve	2,021	1,499
Reserves-Unrealised Gain/Loss	70	-
Total Shareholders Equity	329,488	297,713
Loss of Resolute Mining Limited	(8,864)	(14,056)
Total comprehensive expense of Resolute Mining Limited	(8,794)	(13,789)

Refer to Note 32 for the contingent liabilities and commitments of Resolute Mining Limited.

**RESOLUTE MINING LIMITED
DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Resolute Mining Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its 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 statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(a);
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and,
- (d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2010.

On behalf of the Board



P.R. Sullivan
Director

Perth, Western Australia
24 September 2010

Independent audit report to the members of Resolute Mining Limited

Report on the Financial Report

We have audited the accompanying financial report of Resolute Mining Limited, which comprises the statement of financial position as at 30 June 2010, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 (a), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Resolute Mining Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position at 30 June 2010 and of its 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.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 19 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Resolute Mining Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Gavin Buckingham'.

Gavin A Buckingham
Partner
Perth
24 September 2010

SHAREHOLDER INFORMATION

Substantial shareholders at 8 September 2010

	<i>Number held</i>	<i>Percentage</i>
Ordinary shares		
Alliance Life Common Fund Limited	77,691,224	20.0%
M&G Investment Management Limited (or Vanguard Precious Metals and Mining Fund)	75,116,144	19.1%
Vanguard Precious Metals and Mining Fund	44,000,000	11.4%
Baker Steel Capital Managers LLP (Clients of and associated or connected parties)	34,701,392	8.8%
Bank of America Corporation / Merrill Lynch	34,089,157	8.7%
Acorn Capital Limited	11,541,979	6.5%
Options - ordinary shares		
J P Morgan Nominees Australia Limited	42,603,695	44.4%
HSBC Custody Nominees Australia Limited	15,623,557	16.3%
National Nominees Limited	14,641,766	15.3%
Convertible notes		
J P Morgan Nominees Australia Limited	61,540,247	40.71%
HSBC Custody Nominees Australia Limited	42,981,126	28.44%
National Nominees Limited	23,395,636	15.48%

Distribution of equity securities as at 31 August 2010

<i>Size of Holding</i>	<i>Class of equity security</i>		
	<i>Ordinary shares</i>	<i>Options</i>	<i>Convertible notes</i>
	<i>Shares</i>		
1 - 1,000	1,111	333	3
1,001 - 5,000	1,807	197	71
5,001 - 10,000	735	63	70
10,001 - 100,000	974	83	65
100,001 - and over	115	31	26
Total equity security holders	4,742	707	235
Number of equity security holders with less than a marketable parcel	575	338	0

SHAREHOLDER INFORMATION

Voting rights

(a) Ordinary shares

Under the Company's Constitution, all ordinary shares issued by the Company carry one vote per share without restriction.

(b) Options - Ordinary shares

No voting rights

(c) Convertible notes

No voting rights

Twenty largest shareholders as at 31 August 2010

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>% of Issued Capital</i>
HSBC Custody Nominees Australia Limited	132,721,735	33.79%
J P Morgan Nominees Australia Limited	60,084,746	15.30%
National Nominees Limited	59,442,506	15.14%
ANZ Nominees Limited	15,317,132	3.90%
Citicorp Nominees Pty Ltd	12,439,699	3.17%
Merrill Lynch Australia Nominees Pty Ltd	11,473,829	2.92%
Avanteos Investments Limited (Symetry Retire)	9,544,858	2.43%
Custodial Capital Management Pty Ltd	2,879,957	0.73%
Avanteos Investments Limited (Symetry Delegates)	2,534,728	0.65%
Equity Trustees Limited	2,500,000	0.64%
Mr Peter Sullivan	2,400,000	0.61%
Lim Sun Heng	2,277,795	0.58%
NEFCO Nominees Pty Ltd	2,188,025	0.56%
RBC Dexia Investor SVCS A (MLCI A/C)	2,086,396	0.53%
Newport Black Trust Co Limited	1,978,485	0.50%
Berhad Lyne Ching SDN	1,950,000	0.50%
Bond Street Custodians Limited	1,921,833	0.49%
Pan Australia Nominees Pty Ltd	1,842,822	0.47%
HSBC Custody Nominees Australia Limited	1,477,169	0.38%
Queensland Investments Corporation	1,455,800	0.37%
	328,517,515	83.66%