RESOLUTE MINING LIMITED

## ASX ANNOUNCEMENT

## ANNUAL REPORT AND NOTICE OF MEETING

Resolute Mining Limited advises that the Company's 2007 Annual Report and Notice of Annual General Meeting are being posted to shareholders today. Copies of these two documents are attached.

GREG FITZGERALD
Company Secretary

25 October 2007

RESOLUTE MINING LIMITED
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RESOLUTE MINING LIMITED

# ANNUAL REPORT 07

# CORPORATE DIRECTORY

For personal use only

## 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

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28 The Esplanade
Perth, Western Australia 6000

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## WEB SITE

Resolute maintains a web site where all major announcements to the ASX are available.
www.resolute-ltd.com.au

## SHARE REGISTRY

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Facsimile: + 61 8 9315 2233
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"

## SECURITIES ON ISSUE (21/09/2007)

| | |
|---|---|
| Ordinary Shares | 231,932,059 |
| Unlisted Options | 1,345,000 |

## LEGAL ADVISORS

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

## AUDITORS

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

## BANKERS

Standard Bank Plc
Cannon Bridge House
25 Dowgate Hill, London
EC4R 2SB, United Kingdom

Investec Bank (Australia) Limited
Level 21, 140 St Georges Terrace
Perth, Western Australia 6000

ABN AMRO Australia Limited
ABN AMRO Tower
88 Phillip Street
Sydney, New South Wales 2000

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

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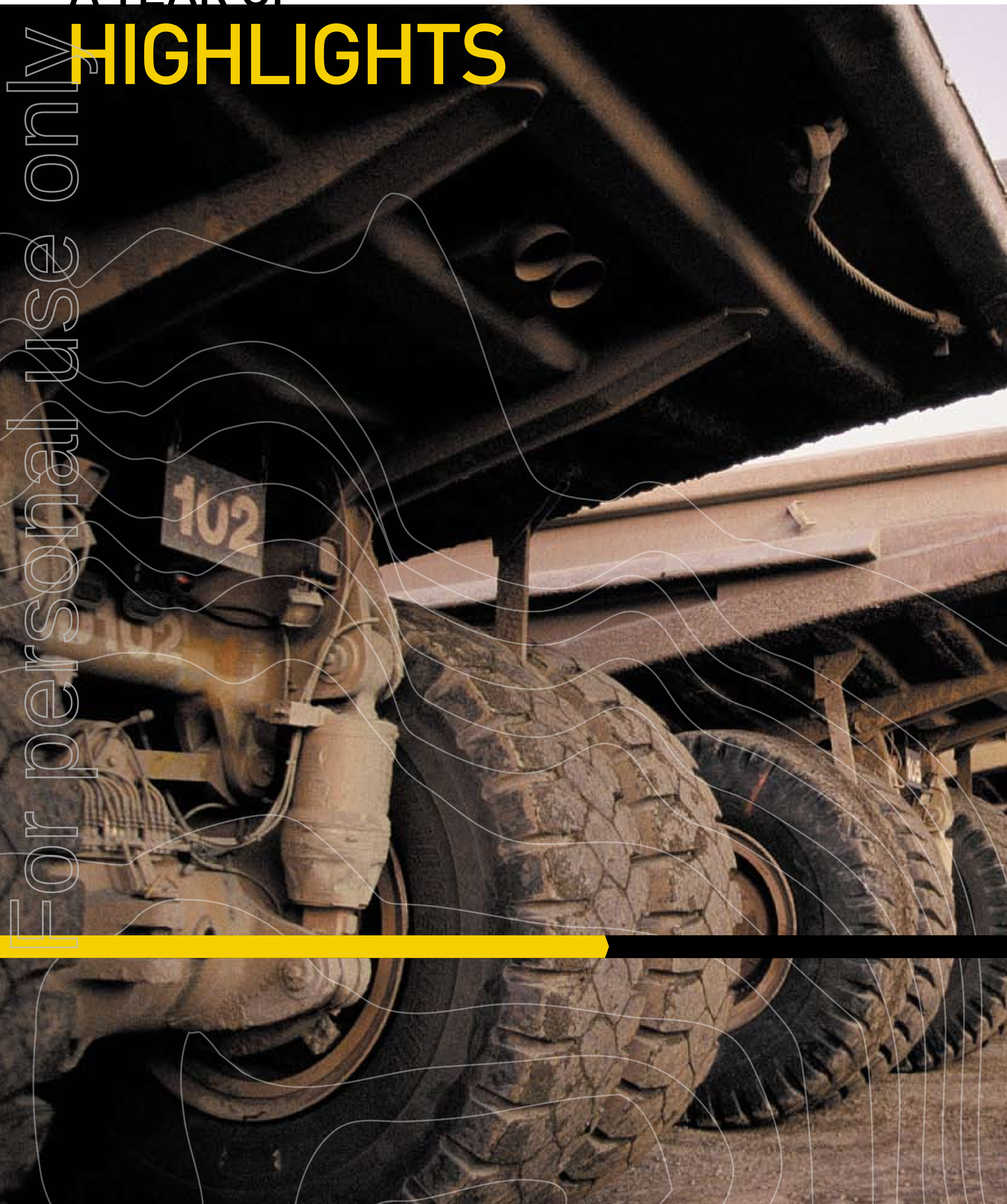
# RESOLUTE MINING

## CONTINUING TO BUILD SHAREHOLDER VALUE

RESOLUTE IS BUILDING SHAREHOLDER VALUE THROUGH ITS STRENGTH AS A SUCCESSFUL DEVELOPER AND OPERATOR OF QUALITY GOLD PROJECTS. ITS PROJECTS TO DATE HAVE YIELDED OVER 4.5 MILLION OUNCES (140 TONNES) OF GOLD. THE COMPANY IS ACTIVELY PROGRESSING ITS PORTFOLIO OF PROJECTS TO FURTHER ENHANCE SHAREHOLDER VALUE.

# A YEAR OF HIGHLIGHTS





## Operations

Yielded in excess of 250,000 ounces of gold at a cash cost of A$634/ounce.

Mt Wright underground deposit at Ravenswood decline development well advanced and ore production commenced.

## Financial

Achieved an Operating Profit after tax of A$170.2m.

Repaid finance facilities totalling A$26.6m leaving a balance of A$7.7m.

## Corporate

Continued restructure and amortisation of hedge book .

Sale of Uranium and other investments yields close to A$200m.

## Development

Re-development of the Syama project in Mali underway.

Pit re-optimisation and mine life extension at Golden Pride project in Tanzania.

## Exploration

Completed secondary earning phase of the Finkolo joint venture in Mali bringing interest to 60%.

Exploration activity expanded in Tanzania through a series of new joint ventures and license applications that provide access to almost the entire Nzega Greenstone Belt surrounding the Golden Pride Mine.

Drilling at Quartz Vein Hill near Syama encouraging.

# 2007

01

# CHIEF EXECUTIVE'S REVIEW

OVER THE LAST YEAR, WE HAVE SPENT AROUND $80 MILLION OF A FORECAST TOTAL OF AROUND $215 MILLION. WHEN COMPLETE, THIS WILL HAVE OPENED UP FOR PRODUCTION OUNCES REPRESENTING OVER HALF OF OUR CURRENT RESOURCE BASE.

It has been a significant year for the company. We are in the midst of a major investment programme that is aimed at unlocking the value of our substantial underlying gold inventory.

Over the last year, we have spent around $80 million of a forecast total of around $215 million. When complete, this will have opened up for production ounces representing over half of our current resource base and lifted our gold production to around 500,000 ounces per annum.

We should soon see the benefits of the early expenditure with the commencement of production from the Mt Wright underground mine at Ravenswood. The major part of the expenditure occurs over the next year at Syama and the benefits of this will not emerge until later next year when production from the sulphide circuit is expected.

Gold production for the year was 255,942 ounces at a cash cost of $634 per ounce.

Our activities delivered a record profit after tax of $170.2 million. This can all be attributed to the sale of our uranium interests.

It has been a difficult year in the gold sector with the gold price flat and operating costs increasing as a result of boom conditions in other sectors of the resource industry. In addition we faced mining and plant challenges at both sites. These have now been resolved and we look forward to a better result in the year ahead.

As in previous years the Board elected not to pay a dividend, but rather to preserve cash for our growth opportunities.

The Syama re-development will deliver a long term production asset to the Company. The construction of the project is well advanced. Despite

**THE NEXT YEAR WILL BE A VERY INTENSIVE AND IMPORTANT TIME AS WE MOVE FORWARD TO RELEASE THE VALUE IN OUR EXTENSIVE GOLD ASSETS.**

some changes in scope and capital cost increases since we committed to the project, we are still on track for commencement of production next year.

The open pit reserve is the basis for the Syama re-development, however, it really is only the beginning for what is potentially exploitable. There is a considerable underground resource ready to be evaluated. In addition our successful drilling to the north of the pit in the Quartz Vein Hill area shows the potential for free milling material to supplement the sulphide ore is high.

The development of the Mt Wright underground ore body at Ravenswood commenced in July 06. Surface infrastructure is nearly complete, the decline is well advanced and ore production from the upper stopes has now commenced. This mine is now integrated into the Ravenswood operation and Mt Wright ore is being blended with the Sarsfield open pit ore for feeding to the Nolan's treatment plant. With about 18 months of production left in the Sarsfield pit, we are going to see a transition in this operation from a large scale, low grade, and high cost open pit to a smaller scale, higher grade, and lower cost underground operation.

At Golden Pride higher costs caused us to revise our planned expansion. This saw us adopt a less capital intensive pit design. Mining of the cutback for this revised pit commenced earlier this year. The extra mine life and the tenure consolidation we are achieving around Golden Pride now gives plenty of scope for further resource discovery.

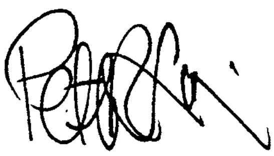
Exploration expenditure for this year has been reduced as we seek to conserve funds for the development programme. We are however continuing activities in the areas around each of our key sites. Gold assets have become very expensive to acquire and the earn in spends we have made over the last few years at Nyakafuru and Finkolo, in particular, have provided low cost additions to our gold base.

Over the next 12 months we deliver into a significant part of our hedge book which will see it reduced from it's current low level to an insignificant level.There is no intention to increase our hedge position at this stage.

We are currently completing the funding for our development programme. The rights issue is an integral part of this. With a relatively ungeared balance sheet, we will look to debt to provide the balance of the funds required.

The next year will be a very intensive and important time as we move forward to release the value in our extensive gold assets.

We have a very capable and experienced management team who have worked very hard to advance all aspects of our business. With the continued support of our shareholders and other groups we look forward to delivering on the opportunities we have in the year ahead.



**Peter Sullivan**
Chief Executive Officer

## RESERVES AND RESOURCES STATEMENT

AS AT 30 JUNE 2007

| Gold Reserves and Resources (includes stockpiles) | Project | Gold grade | Project Contained | Resolute Group Share | Resolute Group Share |
|---|---|---|---|---|---|
| | Tonnes | g/t | Ounces | % | Ounces |
| RESERVES | | | | | |
| Reserves ( Proved) | | | | | |
| Golden Pride (insitu) | 6,800,000 | 2.2 | 481,000 | 100% | 481,000 |
| Golden Pride (stockpiled) | 100,000 | 2.1 | 7,000 | 100% | 7,000 |
| Ravenswood (insitu) | 7,700,000 | 1.2 | 297,000 | 100% | 297,000 |
| Ravenswood (stockpiled) | 200,000 | 1.2 | 8,000 | 100% | 8,000 |
| Syama (insitu) | 9,300,000 | 3.7 | 1,106,000 | 80% | 884,800 |
| **Total Proved** | **24,100,000** | **2.5** | **1,899,000** | | **1,677,800** |
| Reserves (Probable) | | | | | |
| Golden Pride (insitu) | 1,300,000 | 2.0 | 84,000 | 100% | 84,000 |
| Golden Pride (stockpiled) | 4,900,000 | 0.7 | 115,000 | 100% | 115,000 |
| Ravenswood (insitu) | 500,000 | 1.2 | 19,000 | 100% | 19,000 |
| Ravenswood (stockpiled) | 3,100,000 | 0.9 | 90,000 | 100% | 90,000 |
| Syama (insitu) | 5,500,000 | 3.5 | 619,000 | 80% | 495,200 |
| Syama (stockpiled) | 4,200,000 | 1.7 | 230,000 | 80% | 184,000 |
| **Total (Probable)** | **19,500,000** | **1.8** | **1,157,000** | | **987,200** |
| **Total Reserves** | **43,600,000** | **2.2** | **3,056,000** | | **2,665,000** |
| RESOURCES | | | | | |
| Resources (Measured) | | | | | |
| Golden Pride | 9,000,000 | 1.4 | 405,000 | 100% | 405,000 |
| Ravenswood | 10,500,000 | 1.2 | 405,000 | 100% | 405,000 |
| Syama | 11,300,000 | 2.9 | 1,054,000 | 80% | 843,200 |
| **Total (Measured)** | **30,800,000** | **1.9** | **1,864,000** | | **1,653,200** |
| Resources (Indicated) | | | | | |
| Golden Pride (includes stockpiles) | 5,600,000 | 1.0 | 180,000 | 100% | 180,000 |
| Nyakafuru JV | 7,700,000 | 2.2 | 545,000 | 66% | 359,700 |
| Ravenswood | 12,200,000 | 1.9 | 745,000 | 100% | 745,000 |
| Syama (includes stockpiles) | 22,700,000 | 2.6 | 1,898,000 | 80% | 1,518,400 |
| Etruscan JV | 5,000,000 | 2.5 | 402,000 | 60% | 241,200 |
| **Total (Indicated)** | **53,200,000** | **2.2** | **3,770,000** | | **3,044,300** |
| Resources (Inferred) | | | | | |
| Golden Pride | 10,800,000 | 1.5 | 521,000 | 100% | 521,000 |
| Nyakafuru JV | 11,700,000 | 1.4 | 527,000 | 53% | 279,310 |
| Ravenswood | 9,800,000 | 2.4 | 756,000 | 100% | 756,000 |
| Syama | 5,800,000 | 2.6 | 485,000 | 80% | 388,000 |
| Etruscan JV | 1,400,000 | 1.9 | 86,000 | 60% | 51,600 |
| Akoase | 13,300,000 | 1.2 | 513,000 | 90% | 461,700 |
| **Total (Inferred)** | **52,800,000** | **1.7** | **2,888,000** | | **2,457,610** |
| **Total Resources*** | **136,800,000** | **1.9** | **8,522,000** | | **7,155,110** |

(*Reserves are separate to and not included within Resources)

The information in this report that relates to Mineral Resources and Ore Reserves is based on information compiled by Mr DT Cairns, an employee of Mitico Pty Ltd, and Mr TH Brown, a full time employee of the company, who are members of the Australian Institute of Mining and Metallurgy. Mr DT Cairns and Mr TH Brown have sufficient experience which is relevant to the styles of mineralisation and type of deposits under consideration and to the activity which they are undertaking to qualify as Competent Persons as identified in the December 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr DT Cairns and Mr TH Brown have consented to the inclusion of the matters in this report based on their information in the form and context in which it appears.

## GROUP PRODUCTION SUMMARY

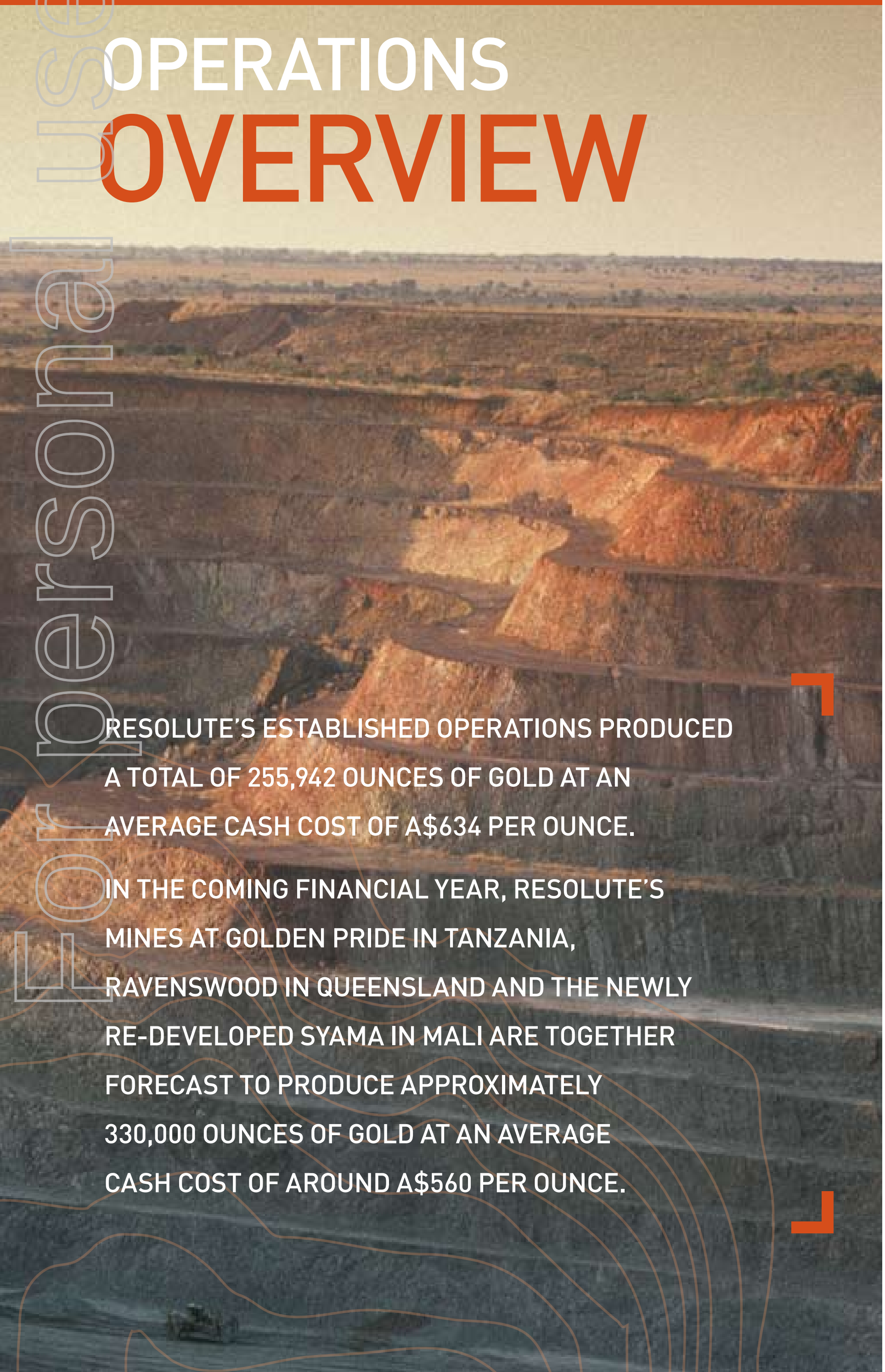
| | Ore Mined | Ore Milled | Head Grade | Recovery | Mine Production | Cash Cost | Cash Cost |
|---|---|---|---|---|---|---|---|
| | Tonnes | Tonnes | g/t | % | Ounces | A$/oz | US$/oz |
| Golden Pride | 2,452,664 | 2,512,452 | 1.94 | 89 | 138,421 | 510 | 403 |
| Ravenswood | 5,044,734 | 4,627,123 | 1.00 | 79 | 117,521 | 781 | 617 |
| **TOTAL** | **7,497,398** | **7,139,575** | **1.33** | **84** | **255,942** | **634** | **501** |

## GROUP PROJECT SUMMARY

| Country | Project | Area | Commodity | Location |
|---|---|---|---|---|
| | | $km^2$ | | |
| Tanzania | | | | |
| | Golden Pride | 350 | Gold | Africa |
| | Nyakafuru JV | 500 | Gold | Africa |
| | Kahama JV | 350 | Gold | Africa |
| | Canuck JV | 400 | Gold | Africa |
| | Bulanga | 430 | Gold | Africa |
| | Igunga | 570 | Gold | Africa |
| | Matinje | 460 | Gold | Africa |
| | Other tenure | 210 | Gold | Africa |
| | | **3,270** | | |
| Ghana | | | | |
| | Akoase | 106 | Gold | Africa |
| | Weststar/Blue River | 111 | Gold | Africa |
| | Nchiadi | 80 | Gold | Africa |
| | | **297** | | |
| Mali | | | | |
| | Syama | 200 | Gold | Africa |
| | Finkolo | 160 | Gold | Africa |
| | N'Gokoli | 260 | Gold | Africa |
| | | **620** | | |
| **Sub Total Africa** | | **4,187** | | |
| Australia | | | | |
| | Ravenswood | 1,368 | Gold | Queensland |
| | Bullabulling | 3 | Gold | Western Australia |
| **Sub Total Australia** | | **1,371** | | |
| **Total Resolute Tenure** | | **5,558** | | |

02

# OPERATIONS OVERVIEW



RESOLUTE'S ESTABLISHED OPERATIONS PRODUCED A TOTAL OF 255,942 OUNCES OF GOLD AT AN AVERAGE CASH COST OF A$634 PER OUNCE.

IN THE COMING FINANCIAL YEAR, RESOLUTE'S MINES AT GOLDEN PRIDE IN TANZANIA, RAVENSWOOD IN QUEENSLAND AND THE NEWLY RE-DEVELOPED SYAMA IN MALI ARE TOGETHER FORECAST TO PRODUCE APPROXIMATELY 330,000 OUNCES OF GOLD AT AN AVERAGE CASH COST OF AROUND A$560 PER OUNCE.

## GOLDEN PRIDE

The Golden Pride mine is located in Tanzania, East Africa, 750km north-west of the port of Dar es Salaam and 200km south of Lake Victoria.

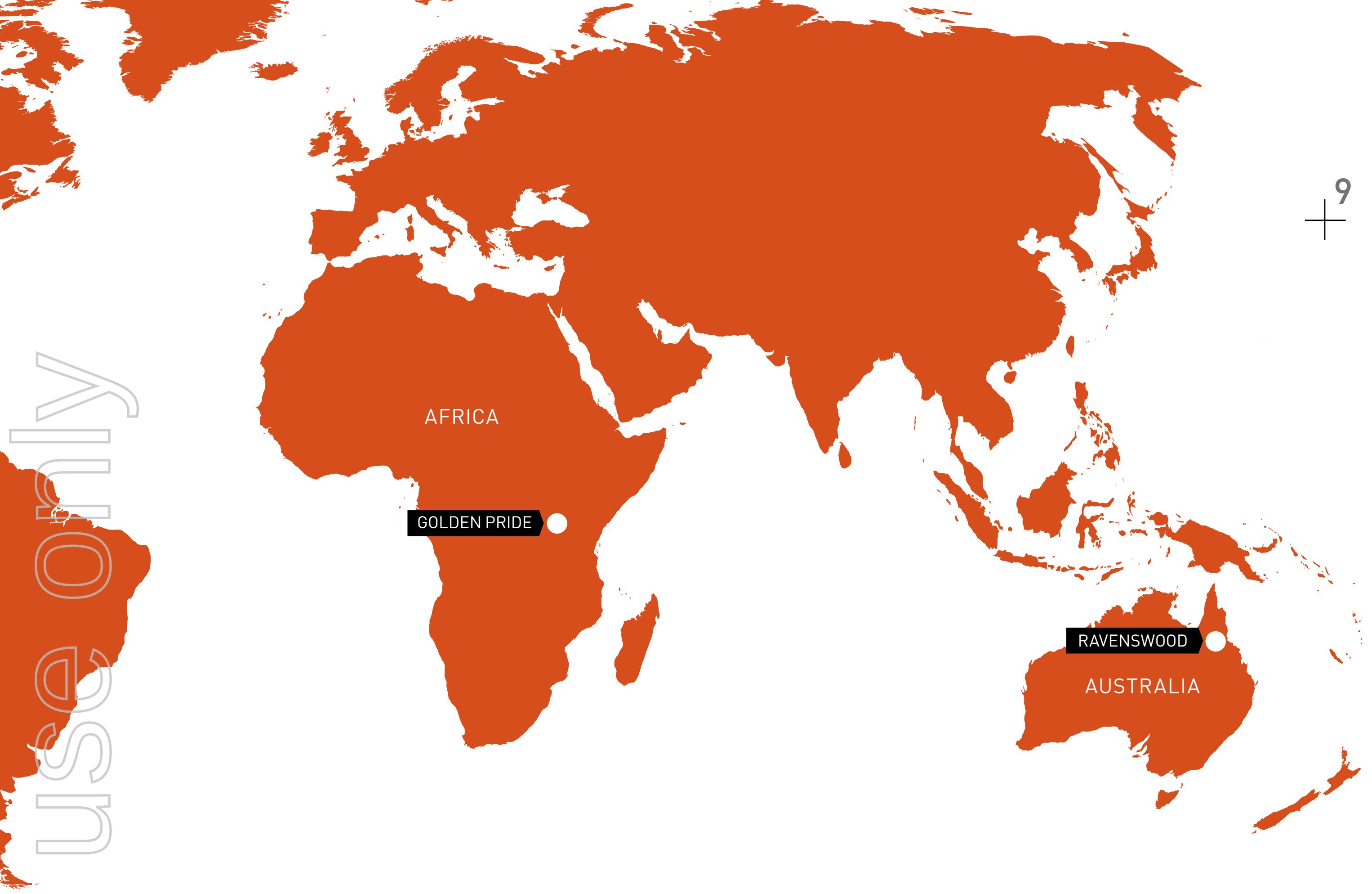
Resolute has a 100% interest in the project through its Tanzanian subsidiary, Resolute (Tanzania) Limited.

### Operations

During the 2007 financial year the operation produced 138,421 (2006: 145,043) ounces of gold at a cash cost of US$403 (2006: US$312) per ounce.

Plant throughput decreased to 2.51 (2006: 3.03) million tonnes at an average head grade of 1.94 g/t (2006: 1.59 g/t) and a recovery rate of 89% (2006: 94%)

Gold production was adversely affected by throughput and recoveries. The main contributors were the poor delivery of ore from the open pit and the slow leach nature of the fresh ore. Cost per ounce has increased largely due to higher wear components in the crushing and grinding circuit and general increase in the cost of mining consumables and labour.






The open pit mined 3.5 million cubic metres at a strip ratio of 2.9:1 with the majority of the waste mined from the central cutback which commenced mid year. This cutback exposed ore from the bottom central pit area towards the end of the financial year. All the ore for the year has been mined from the western pit area at depth. This competent ore had an adverse affect on equipment availability in the mining fleet and thus production rates. Higher grades in line with expectations have been mined from the western pit area in the later quarters of the year.

The treatment plant throughput has been affected by the mining schedule and reduced blending options due to poor mechanical availability of the loading equipment.

The Golden Pride mine has now produced around 1.4 million ounces of gold since commissioning in 1998.

**Outlook**

An amicable termination with the existing mining contractor has been negotiated and a new mining contractor commenced mining operations from 1 July 2007. The transition has been seamless with the new contractor taking over the existing equipment and workforce. New replacement mining equipment arrived on site during the September 2007 quarter. Furthermore, the installation of two new pre-leach tanks is anticipated to be completed in September 2007. This will lift overall plant recoveries. Mining has commenced on the re-optimised pit design. Higher grade ore in the first three quarters of the coming financial year is expected to lift the average grade of ore to be processed. Towards the end of the year access to higher grade ore will be limited and the head grade is predicted to reduce significantly as the majority of the mill feed will be sourced from low grade stockpiles.

GOLDEN PRIDE - ORE RESERVES
as at 30 June 2007

| Category | Tonnes | Grade | Ounces |
|---|---|---|---|
| Proved | 6,900,000 | 2.2 | 488,000 |
| Probable | 6,200,000 | 1.0 | 199,000 |
| Total | 13,100,000 | 1.6 | 687,000 |

## RAVENSWOOD

The Ravenswood gold mine is located approximately 95km south-west of Townsville and 65km east of Charters Towers in north-east Queensland. Resolute has a 100% interest in the mine through its subsidiary Carpentaria Gold Pty Ltd.

The majority of ore for the Ravenswood Operations was sourced from the Sarsfield open pit and the low-grade screening plant with a minor contribution from the Mt Wright underground project. The ore is treated using conventional three stage crushing, ball-milling and carbon-in-pulp (CIP) processing at the rate of 5Mtpa.

### Operations

During the 2007 financial year the operation produced 117,521 (2006: 145,706) ounces of gold at a cash cost of A$781 (2006: A$617) per ounce.

The year was disappointing from both a gold production and cost point of view. A combination of factors contributed to this disappointing performance including:

Lower than expected head grade from the Area 5 zone of the Sarsfield open pit.

A significant number of power failures during the second quarter combined with poor agitation of the CIP tanks resulted in CIP tanks sanding up which significantly reduced throughput.

Lower than expected recoveries due to poor agitation of the CIP tanks.

A two week processing plant shutdown occurred during June to upgrade the CIP tank agitators and carry out other modifications designed to improve plant performance. This major shutdown had a significant effect on throughput for the final quarter.

Sarsfield open cut activities predominately focused on mining of the Area 5 zone at the south of the pit. Total material movement from the open cut was approximately 4.2 million cubic metres. The Area 5, which delivered below expectation grade, was almost complete by June 2007.

A resource drilling programme focusing on below pit resources was completed. Pit designs will remain largely unchanged as any additional resources identified below the pit are likely to be treated as potential underground targets.

Waste dumping into the adjacent Nolan's void continued throughout the year, with in-pit tailings disposal into this void commencing in the first quarter of the 2007-8 financial year. The waste dump will form an engineered wall to prevent the ingress of tailings into the main Sarsfield pit.

The Mt Wright underground project, located 11 kms from the Ravenswood treatment plant, developed on schedule with 3,126m of decline development and 67,731 tonnes of ore mined. Production from the first underground stope commenced in June 2007, however development ore was blended at low ratios into the Sarsfield ore stream from March 2007. Resource drilling from the decline has to date confirmed the upper Mt Wright ore resource, with

similar grades at higher than expected tonnages. As a result, production tonnage targets will be lifted above feasibility expectations in the 2007-8 financial year.

For the period the treatment plant processed 4.6 (2006: 5.1) million tonnes at an average head grade of 1.00g/t (2006: 1.06g/t) and a recovery rate of 79% (2006: 84%).

Overall plant availability was 90.7% (2006: 96%) and was largely affected by the two week plant shutdown in June 2007.

The low-grade screening facility has performed well throughout the year treating 1.6 million tonnes to produce 0.6 million tonnes of product at an average grade of 1.11g/t.

The final lift of the existing tailings storage facility was commenced in June to provide adequate deposition areas during the life of the Sarsfield pit.

### RAVENSWOOD – SARSFIELD ORE RESERVES (INCLUDING STOCKPILES)

as at 30 June 2007

| Category | Tonnes | Grade | Ounces |
|---|---|---|---|
| Proved | 7,900,000 | 1.2 | 305,000 |
| Probable | 3,600,000 | 0.9 | 109,000 |
| **Total** | **11,500,000** | **1.1** | **414,000** |

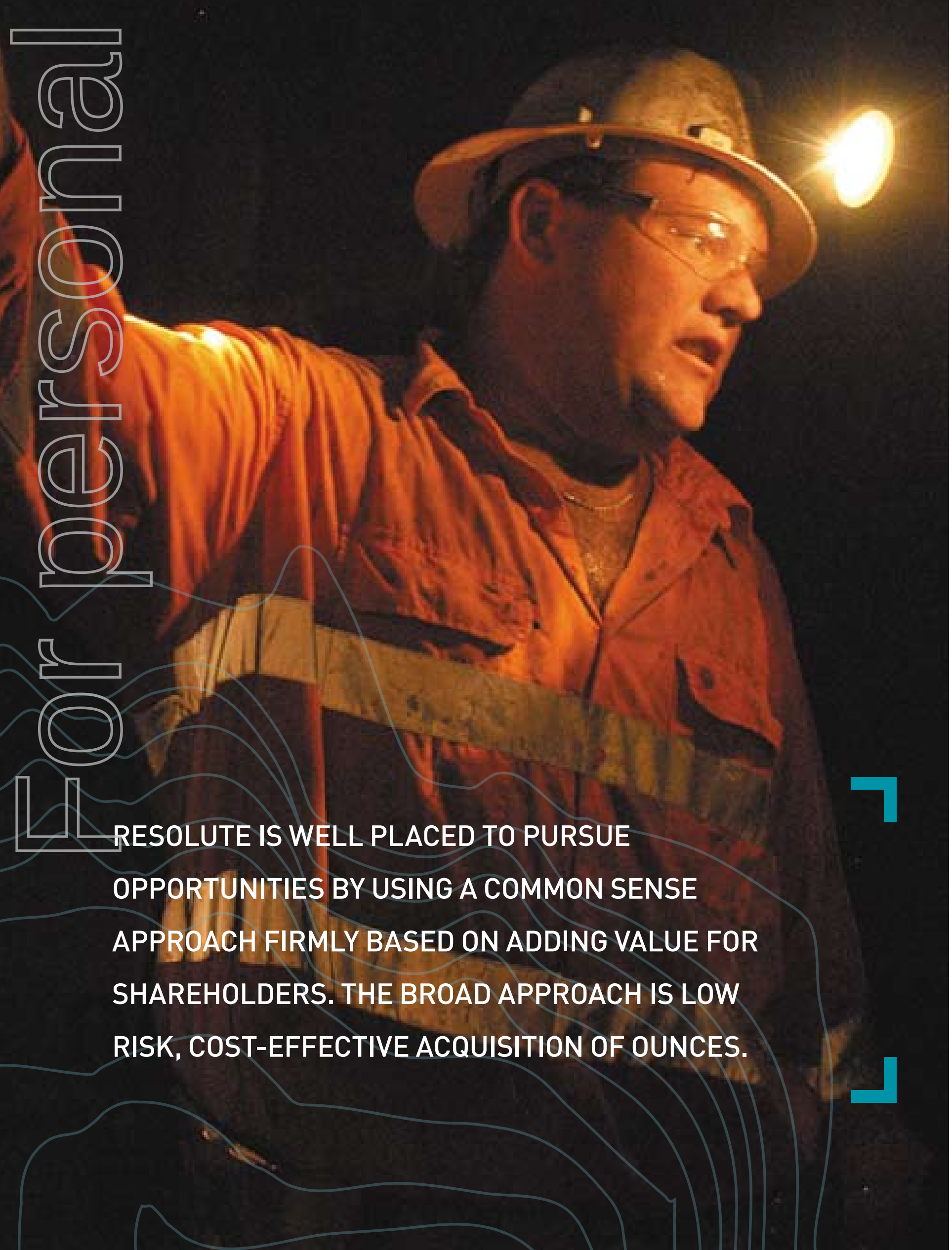
### Outlook

A major shutdown was carried out in June 2007 and a number of changes made to improve the future performance of the treatment plant. This was successfully completed and the plant has ramped up to normal throughput rates. Sarsfield open pit mining is moving to the Keel and Bell areas with the poorer performing Area 5 ore now completed. At the Mt Wright underground mine decline development continues and ore mining from the upper stopes is underway. The decline is projected to extend to the main ore zone by the end of 2008. Mt Wright ore is expected to provide approximately 20% of the Ravenswood gold production in the coming year. An improvement in Ravenswood gold production and cost per ounce is expected due to the rectification work undertaken, and the positive impact that the introduction of Mt Wright ore will have on the average head grade of ore to be processed in the coming year.

### RAVENSWOOD - MT WRIGHT MINERAL RESOURCE ESTIMATE AT 2.0G/T CUT-OFF

| Category | Tonnes | Grade | Ounces |
|---|---|---|---|
| Indicated | 4,200,000 | 3.5 | 482,000 |
| Inferred | 5,600,000 | 3.2 | 572,000 |
| **Total** | **9,800,000** | **3.4** | **1,054,000** |

# 03 DEVELOPMENT OVERVIEW



RESOLUTE IS WELL PLACED TO PURSUE OPPORTUNITIES BY USING A COMMON SENSE APPROACH FIRMLY BASED ON ADDING VALUE FOR SHAREHOLDERS. THE BROAD APPROACH IS LOW RISK, COST-EFFECTIVE ACQUISITION OF OUNCES.

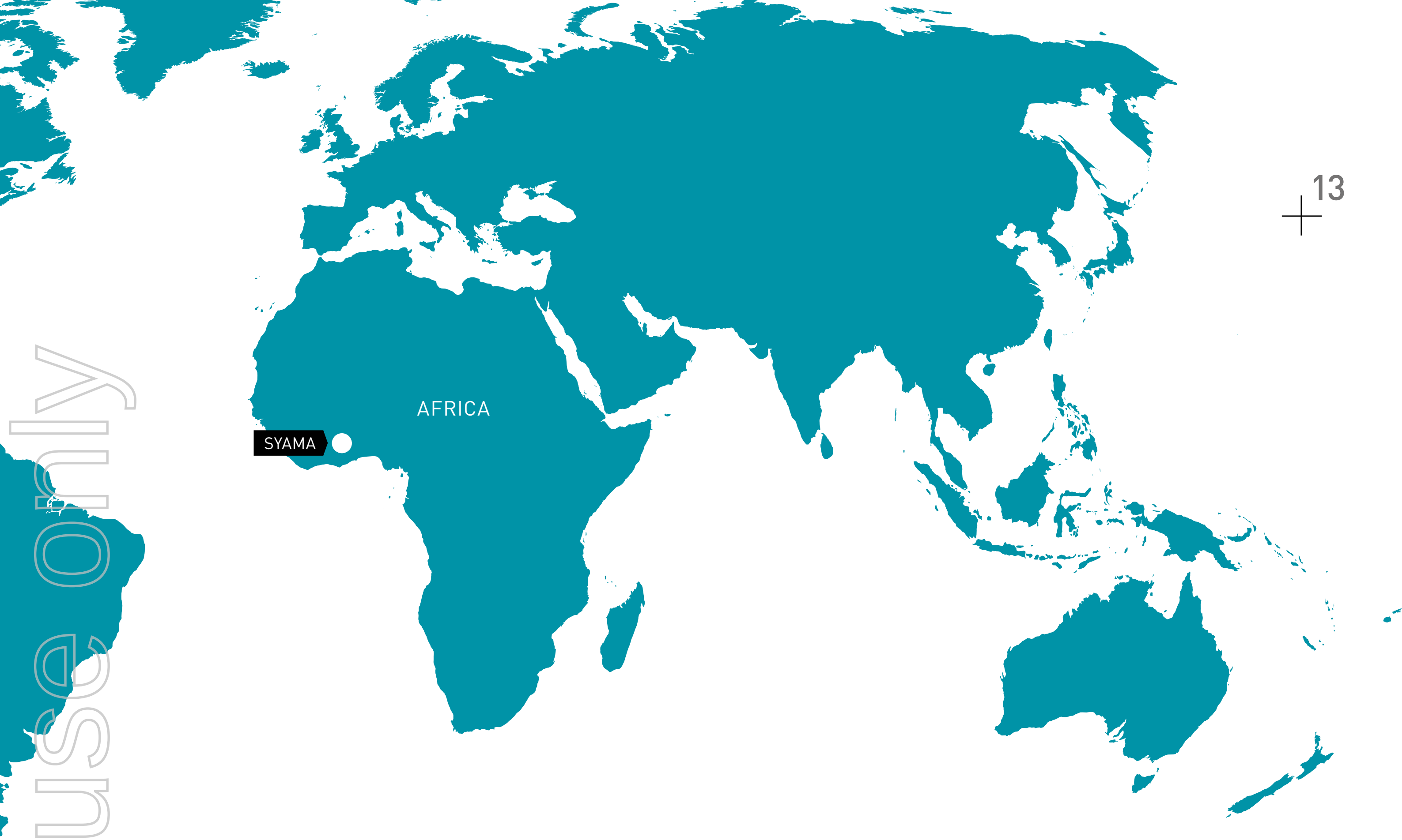
## SYAMA

### Project Background

The Syama Gold Project is located in the south of Mali, West Africa approximately 30kms from the Côte d'Ivoire border and 300km southeast of the capital Bamako. Resolute has an 80% interest in the project through its equity in Sociêtê des Mines de Syama S.A. (SOMISY). The Malian Government holds a 20% interest in SOMISY, 15% of which is free carried.

The Syama gold mine was established by BHP Ltd in 1990 as an oxide operation and in 1994 the decision was made to build a primary ore processing facility to treat the hard, refractory ore based on "whole of ore" roasting. It was operated by BHP until 1996 and by Randgold Resources Ltd from 1996 to 2001. Both operators were unable to achieve a sustainable operation based on "whole of ore" roasting, coupled with a low prevailing gold price, and Randgold placed the operation on care and maintenance in 2001.

Resolute acquired the project in April 2004 after completing a positive pre-feasibility study, and completed a Feasibility Study in April 2005. This study shows positive returns based on a modified flow sheet that processes a sulphide concentrate through the roasting circuit. The single pit operation currently has a six to seven year mine life with potential to increase reserves by development of an underground operation or by the discovery of new resources.






### Project Activities 2006-07

The re-development project was initiated in June 2006 when Resolute entered into an agreement with GRD Minproc to provide engineering, procurement and construction management services (EPCM) for the Syama Project. The initial phases of the detailed design were completed in Perth and procurement, final design etc were relocated to Johannesburg in September. Outotec (Australasia) Pty Ltd, previously Outokumpu, was selected for the design, supply and commissioning of the roaster.

The start to the project was conditional, with a budget of US$32 million approved, while financing options for the project were evaluated. Negotiations with the State of Mali for an Amendment to the Establishment Convention were still in progress. On 12 December the Amendment (No3) was signed by his Excellency Diane Hamed Semega, the Minister of Mines, Energy and Water and SOMISY SA.

In response to the continuing price increases for labour, equipment and materials being experienced by the resources and construction sectors an update of the project's capital and operating costs was completed in February 2007.

With Amendment (No3) signed, the updated capital and operating cost review and the sale of Resolute's non core uranium assets the Board took the decision to commit fully to the re-development of the project in early 2007.

On 1 April the President of Mali, Amadou Toumani Touré, officiated at a "ground breaking" ceremony for the re-development of Syama.

### Construction Activities

Since commencing on site in October 2006, construction has progressed as follows:

- The old BHP camp, village houses and the kitchen and messes having been refurbished and re-equipped
- The construction of an 84 man security camp has been completed
- A new national mess, close to the plant area, is under construction
- Demolition of the steel and plate work over the primary crusher, removal of conveyor systems and secondary crusher in preparation for installation of refurbished secondary crusher and new tertiary & quaternary crushers for the 4-stage crushing plant. The primary and secondary crushers have been refurbished
- Modifications to the cyclone circuit and refurbishment of the mills in the milling area are in progress
- The existing flotation circuit has been dismantled and removed to make way for the new sulphide flotation circuit

- Design work for the refurbished roaster area is advanced, and all equipment has been purchased. Outotec has recommended, and it has been agreed, to replace the shell of the roaster. Refractories to reline the roaster were allowed for in the capital estimate. The installation of a new shell within the existing structure allows for a better outcome for the project as Syama will have a purpose built design, based on the revised flow sheet, processing around 250,000tpa of sulphide concentrate rather than a modified shell design
- The carbon-in-leach (CIL) circuit is currently being refurbished and is scheduled for completion in the first quarter 2008
- The design of the Wet Gas $SO_2$ gas scrubber is close to completion
- The tails dam is being lifted and segmented to allow separation of the float and CIL tailings
- Design of additional pumping stations for the Bagoë River pipeline is advanced and consideration is being given to the construction of additional water storage at site to improve security of supply to the project

The current schedule sees the crushing, grinding, and CIL areas available for commissioning on stockpiled oxide material in early 2008 with sufficient installed power from the high speed generator sets.

The roaster is scheduled for commissioning in the second half of 2008.

### Updated Operating Cost Estimates

Operating costs were re-estimated in February 2007 and have increased approximately 9% since the last review in February 2006 with the comparison summarised in Table 1 below.

The increase in mining costs is higher relative to the other areas and reflected unit rates and current fuel costs as at February 2007.

### Updated Capital Estimates

Following completion of the detailed design the Company announced, in February 2007, the revised capital estimate for the Project of US$118 million as summarised in Table 2. As a result of changes in scope for the project and a shift in materials and labour costs there was an increase in the overall capital of 22% compared with the Feasibility Study estimates in February 2006. Of this increase, 65% relates to scope changes and 35% relates to cost escalation since the estimate completed in February 2006.

The largest area of movement was in the electrical cost estimate as a result of the need for more cabling than previously anticipated.

Recently the Company has decided to commit to an owned and operated power station rather than purchase “across the fence power”. The power station is to have two medium speed engines and fourteen high speed engines giving the power station an installed capacity of 25MW. The cost of this facility is now estimated at US$20 million.

**Table 1**

COMPARISON OF OPERATING COSTS
US$ PER TONNE MILLED

| Area Description | Total 2007 | Total 2006 | % Change |
|---|---|---|---|
| Mining | 14.36 | 12.26 | 17.1% |
| Processing | 17.86 | 17.09 | 4.5% |
| Admin | 4.11 | 4.09 | 0.5% |
| **Total** | **$36.33** | **$33.44** | **8.6%** |

**Table 2**

REVISED CAPITAL ESTIMATE COMPARISON
US$ MILLIONS

| Area Description | Total 2007 | Total 2006 | % Change |
|---|---|---|---|
| Site Establishment & Construction Costs | 3.6 | 3.1 | 16.1% |
| Treatment Plant | 54.0 | 45.9 | 17.6% |
| Infrastructure and Services | 17.5 | 10.8 | 62.0% |
| Mining | 5.3 | 5.6 | -5.4% |
| EPCM | 18.5 | 15.9 | 16.4% |
| Owners Costs | 19.4 | 15.3 | 26.8% |
| **Total*** | **$118.3** | **$96.6** | **22.5%** |

* Total Capital without power station

**Table 3**
COMPARISON OF THE PROJECT ECONOMICS

| Study Version | Gold Price | Capex | Op Cost | NPV | IRR | Cash Cost |
|---|---|---|---|---|---|---|
| | US$ per oz | US$ Millions | US$ per tonne Milled | US$ Millions | % | per oz |
| Feb-06 | $550 | $96.6 | $33.44 | $85.5 | 25.6% | $336 |
| Feb-07 | $600 | $118.3 | $36.33 | $70.0 | 22.4% | $370 |

### Updated Project Economics

The various changes outlined above were incorporated into a revised financial model of the project.

The increases in costs were matched by an increase in the gold price to show a project with a return above the required hurdle rate.

A comparison between the economics of the two financial models is shown in Table 3.

### Reserves and Resources

A structural review of the deposit has resulted in a change to the interpretation of the ore body with it now considered one body rather than separate Main and Footwall zones. Remodelling with tighter search ellipses have given more confidence in the grade distribution resulting in a change of the mix of measured over indicated resources.
In addition over the past year a number of designs have been developed to optimise the Syama pit design. These have resulted in improved access to waste dumps and haulage to the ROM pad. These iterations have taken into account the revised rates from the mining contractor and increased fuel and consumable costs.

These changes have resulted in a proved and probable reserve of 14.8 million tonnes @ 3.6g/t Au for 1.72 million ounces within the open pit. The bulk of the reserve (>60%) is now proven whereas previously it was around 23%. The reserves are summarised in Table 4.

In addition to the in pit reserves there are stockpiles of both sulphide and oxide material that are characterised as probable ore and which contain more than 230,000 ounces of gold. These stockpiles include 2.3 million tonnes of sulphide and 1.9 million tonnes of oxide stocks (Table 5). It is the intention to process as much of the oxide stockpile as practicable whilst commissioning the oxide circuit, as a large portion of the area where these stocks are held is to be covered by the extended ROM pad.

At certain periods during the early operation of the sulphide roaster circuit there is insufficient sulphide ore coming from the pit to meet the 2.4 million tonne per annum design throughput. During these periods it is intended to supplement the pit feed with sulphide stockpiles which range in grade from 1.79 to 3.93 g/t Au, commencing with the higher grade stocks.

### Mining Contract

A contract has been signed with PW International Mining S.A.R.L ("PW"), a Malian entity, for the Syama Bulk Mining Phase. This is the "cutback" phase of the mine where an estimated 22 million BCM's of material are to be mined in the first three and a half years of the Project.

Phased delivery of the mining truck fleet to Syama commenced in the September quarter.

### Project Team

Recruitment of key senior operational team management is well advanced with a number of these personnel already engaged on site.

### Power Plant

In order to secure a timely supply of power SOMISY acquired eleven 1.4MW pre-owned, low hours, Caterpillar power generating sets in early 2007. These sets have undergone functionality testing to ensure their operability at the designed power output.

It is planned to also install two low speed generating sets to provide an additional 9.4MW of capacity. The total installed capacity is expected to be 25MW.

### Project upside

Considerable upside for the project exists beyond that included in the financial model. There are underground resources immediately below the pit which combined with the continuing exploration success in the Quartz Vein Hill area to the north of the pit, provide confidence that a longer life project can be achieved.

*Potential Underground*

Measured and indicated resources for 2.4 million ounces lie beneath the current open pit reserves, to a depth of approximately 500m below surface, or approximately 200m below the final pit design (see Figure 1).

The In Wall Ramp will provide a platform from which to site strategic drill holes to enable better definition of higher grade (>4g/t Au) portions of the underground resources and assist in determining the potentially stopeable portions of the resource.

The resource remains open at depth, where there is a paucity of drilling. Drilling from the surface is expensive and further exploration is planned once an underground platform is provided for this work. Expectations are high for additional resources to be defined.

**Table 4**

SYAMA ORE - RESERVES (EXCLUDING STOCKPILES)
as at 30 June 2007

| Category | Tonnes | Grade | Ounces |
|---|---|---|---|
| Proved | 9,300,000 | 3.7 | 1,106,000 |
| Probable | 5,500,000 | 3.5 | 619,000 |
| **Total** | **14,800,000** | **3.6** | **1,725,000** |

**Table 5**

PROBABLE ORE IN STOCKPILES

| Stockpile type | Tonnes | Grade | Ounces |
|---|---|---|---|
| Sulphide | 2,290,000 | 2.0 | 145,000 |
| Oxide | 1,910,000 | 1.4 | 85,000 |
| **Total** | **4,200,000** | **1.7** | **230,000** |

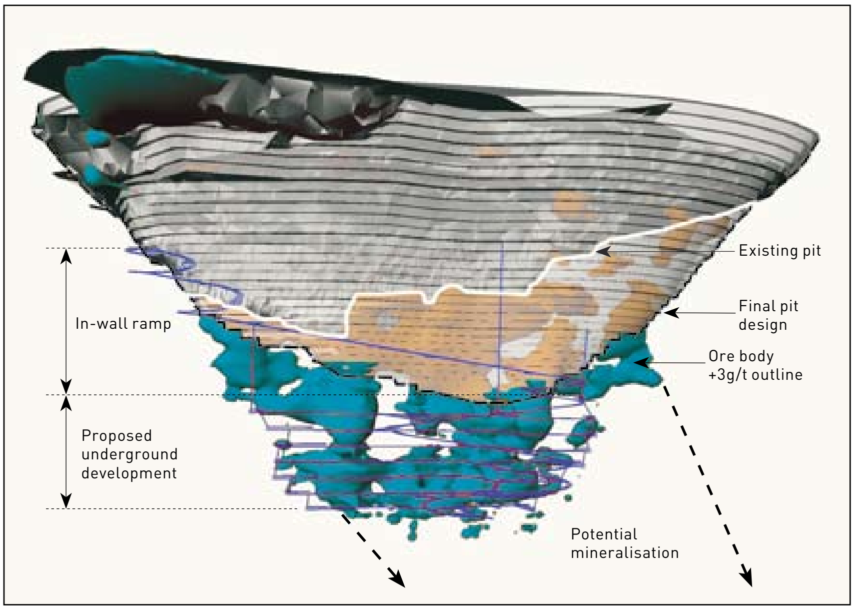



**Figure 1 – Resources beneath the LOM Syama Pit**

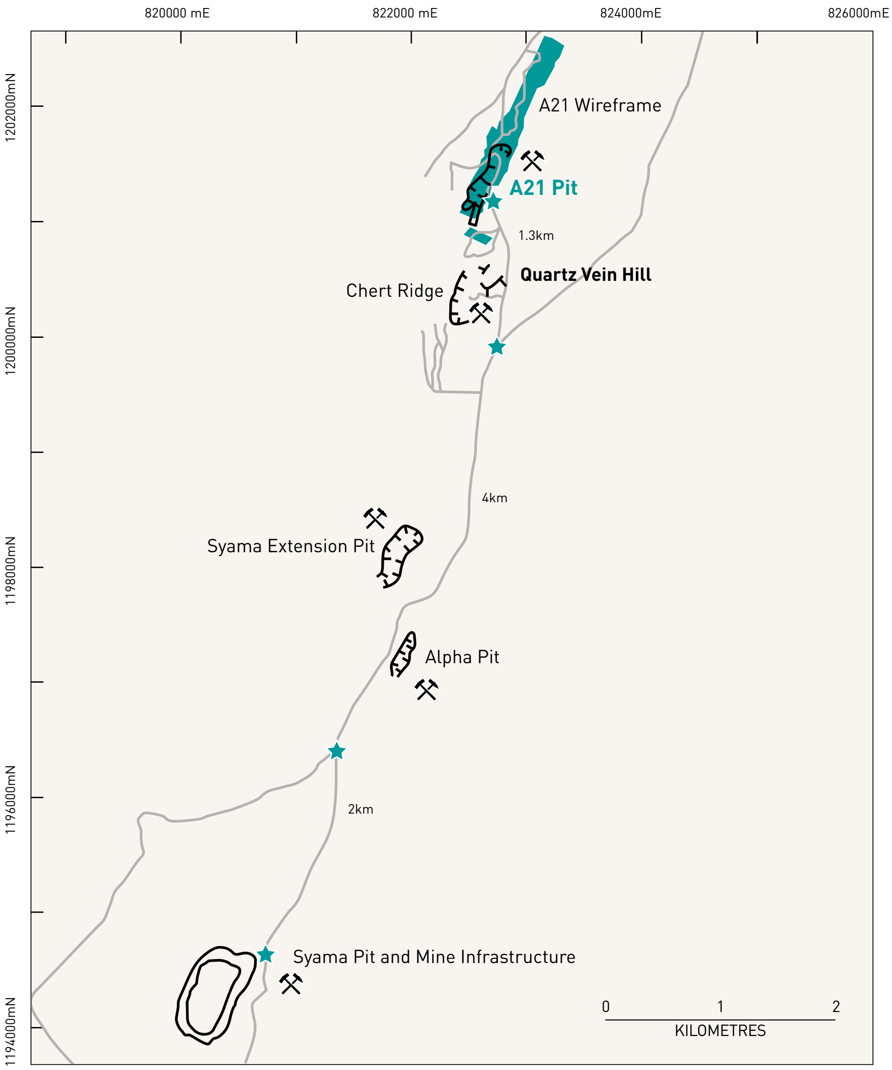



**Figure 2 – Location of A21 and Northern Resources (A21 Wireframe)**

### *Quartz Vein Hill Area*

Wide spaced drilling north of A21 pit (see Figure 2) together with earlier drilling by BHP and Randgold has outlined mineralisation over at least 1.6km. Drilling is in progress to infill this area to at least 50m by 25m to bring it to Indicated resource status and to undertake metallurgical test work to determine what proportion of this mineralisation is free milling.

The Syama processing facility has sufficient capacity to process up to an additional million tonnes per annum of free milling material through a separate crushing and grinding circuit with slurry fed into the existing CIL circuit.

It is proposed to commence a feasibility study, depending on the results of the current drilling and preliminary metallurgical test work, into the treatment of this material using the existing "oxide" circuit.

### *Electricity Interconnection with Côte d'Ivoire*

Recently the Malian Government has announced progress in negotiations with the Government of Côte d'Ivoire on the interconnection of electricity to Sikasso, Mali. The Indian Government has provided financial support for the project to the extent of US$75 million and a new feasibility study is currently in progress to update the capital and technical requirements of the interconnect from Côte d'Ivoire to Sikasso in Mali.

The provision of electricity in the near term to south-east Mali would have a positive impact for Syama and could in the longer term mean significant savings in power costs relative to the diesel generation of electricity.

Electricity interconnection with Côte d'Ivoire is of particular importance to the underground resources as it will mean a larger part of the underground resource can be exploited.

04

# EXPLORATION OVERVIEW

RESOLUTE IS COMMITTED TO EXPANDING ITS GOLD RESOURCES AND PRODUCTION BASE THROUGH EXPLORATION. THE MAIN THRUST OF EXPLORATION ACTIVITIES HAS BEEN ON OUR TENURE CLOSE TO OUR EXISTING OPERATIONS OR STRATEGIC JOINT VENTURES ON GROUND THAT HAS BEEN IDENTIFIED THROUGH OUR REGIONAL STUDIES.

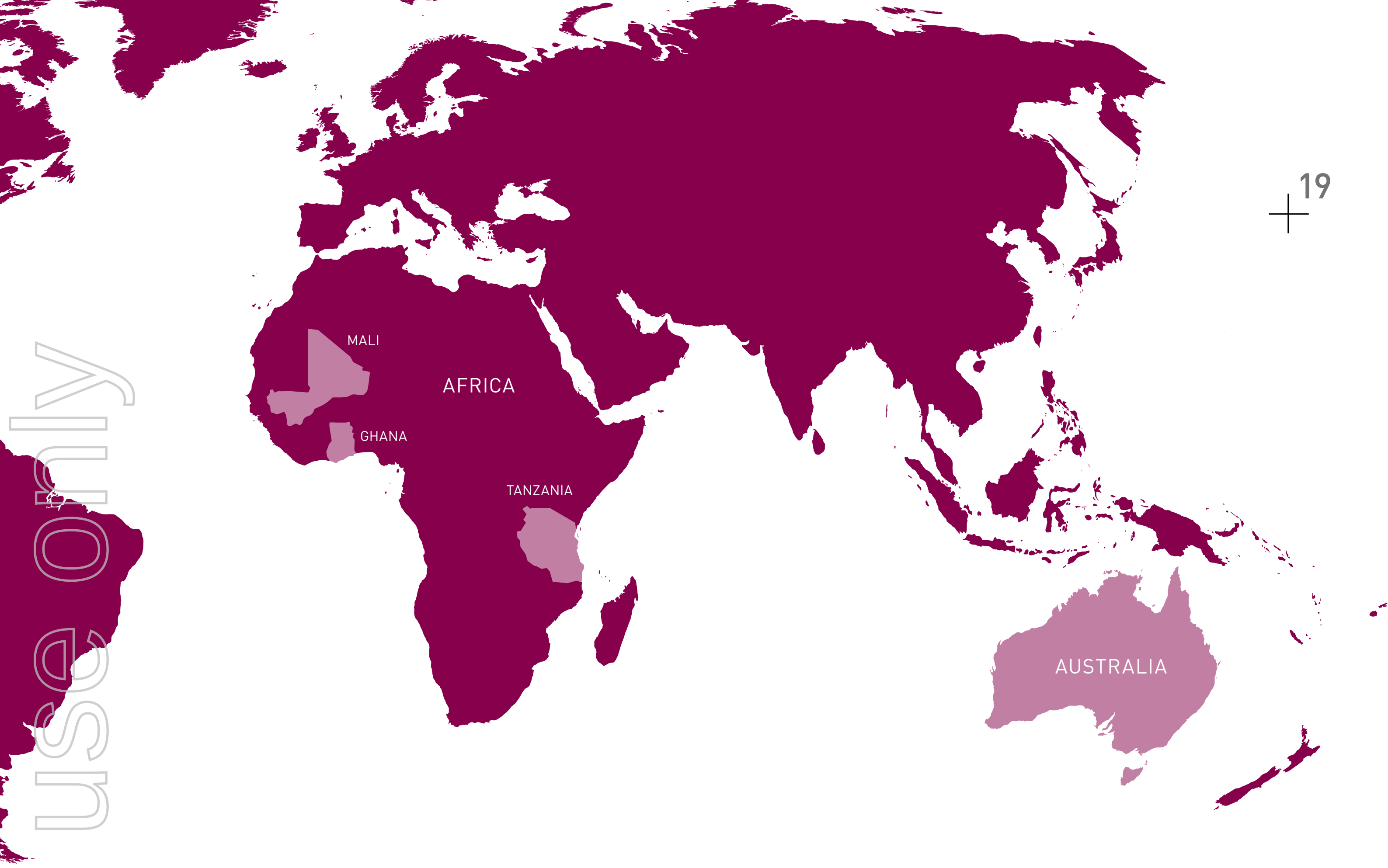
Exploration activities continued at a high level during the last 12 months with over one hundred thousand metres of exploration and resource development drilling completed on and around our operations. Whilst much of the emphasis continues to be put on the successful resource additions in the Syama belt, reconnaissance drilling of targets around Golden Pride and Ravenswood has returned encouraging results for follow up in the coming year.

## TANZANIA

Following the establishment of a number of near mine resources at Golden Pride and resource drilling at Nyakafuru in the prior year, this year's exploration has expanded into the hinterland where new tenure has been consolidated into the existing portfolio and a number of high resolution data sets have been collected and amalgamated to generate high priority targets for drill testing. Some 32,000m of drilling, much of it reconnaissance air core drilling, has been completed this year, largely along the Golden Pride corridor.

### Golden Pride Area

Drilling near the Golden Pride pit during the previous period has contributed to the new mine model and life of mine plan for Golden Pride. Given the extended mine life there is the opportunity to thoroughly explore






the Golden Pride district for satellite deposits that may further enhance the longer term future of the mine.

During the last year a series of new joint ventures and license applications have been completed that provide Resolute, for the first time, with access to almost the entire Nzega Greenstone Belt surrounding the Golden Pride Mine (see Figure 4). Coupled with this new ground position the Company has carried out some detailed studies on the geology, geophysics and geochemical 'footprint' of Golden Pride itself that will assist in the exploration and recognition of further deposits in the district that are likely to be concealed under shallow soil cover.

A significant geology 'campaign' was carried out on the Golden Pride deposit during the year that has added considerably to our knowledge on the deposit and how to look for similar mineralisation in the district. The programme included systematic re-logging of over 16km of drill core and alteration mapping using spectrographic and lithogeochemical data. All the geological data was integrated into a three dimensional model in Gocad software (see Figure 5). The modelling process has highlighted the importance of a number of structures and lithological units that were previously poorly recognised or not systematically logged. Some of the units, such as the hanging wall shear and bends in the Golden Pride

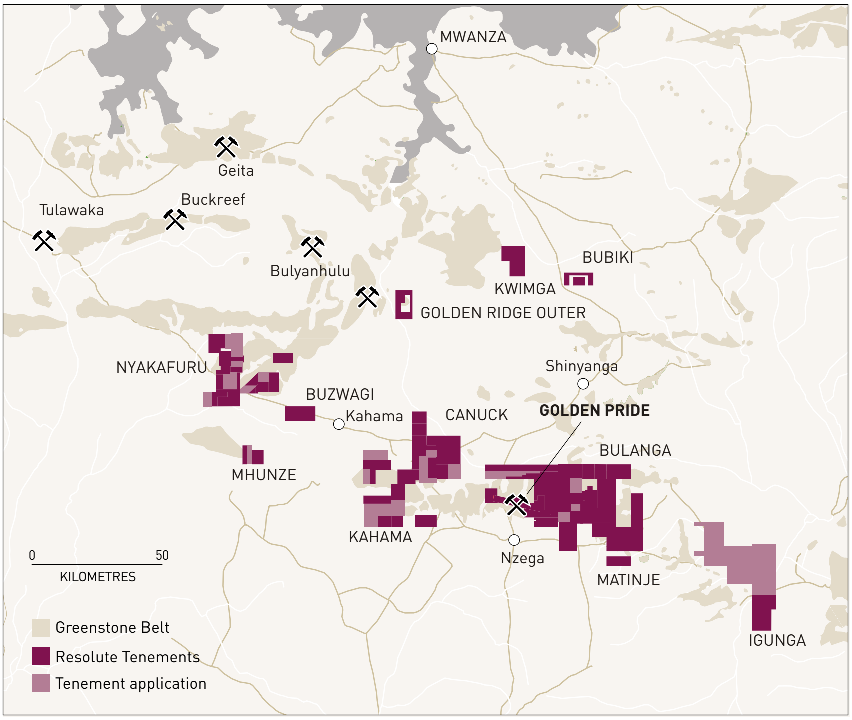



**Figure 3 – Tanzania Regional Tenure**

shear, have now been recognised to have a strong influence on the distribution of mineralisation and can now be used as 'hard boundaries' to assist in the constraint of future resource models. A number of high priority targets for drilling at depth under the Golden Pride pit have been highlighted to assist in prioritising the current development drilling.

Geochemical 'footprint' studies completed at Golden Pride have been used to prepare a predictive exploration model for the surrounding district. This model suggests that the alteration 'footprint' of Golden Pride is over 3km long by 0.5km wide giving a much larger target for regional exploration than the gold mineralisation itself. A series of rapid reconnaissance tools including wide spaced soil and air core sampling are now being employed to cover prospective parts of the Nzega district for similar alteration footprints.

A detailed airborne electromagnetic (VETM) survey was flown over the central Nzega Greenstone Belt during the year. This survey has been very successful in clearly defining the Golden Pride Shear zone and subsidiary structures for over 40km of strike length, providing excellent focus for the 'footprint' sampling described above. Systematic air core drilling has now been targeted along the shear zone working out from the mine. The initial programme on the Golden Pride mining lease has highlighted several 'footprint' anomalies for follow up. A further extensive programme of air core drilling, targeting several major shear structures in the district, is planned for the coming year.

A number of regional targets have been explored with more detailed drilling during the year with both reverse circulation and diamond drilling carried out at Canuck, Igusle and Matinge West.

A follow up drilling programme of fourteen reverse circulation/diamond drill holes at Canuck, some 30km west of Golden Pride, confirmed previous mineralisation to be relatively continuous over about 300m strike length with some constrained shoots of high grade. Results in the previous period included 7m @ 19.2g/t Au and 5m @ 12.8g/t Au. Best results in the recent programme included: 5.2m @ 15.9g/t Au, 5.9m @ 2.2g/t Au and 3.8m @ 3.7g/t Au. The mineralised zone appears to be still open to the south. A geology and resource model for the deposit is currently in preparation.

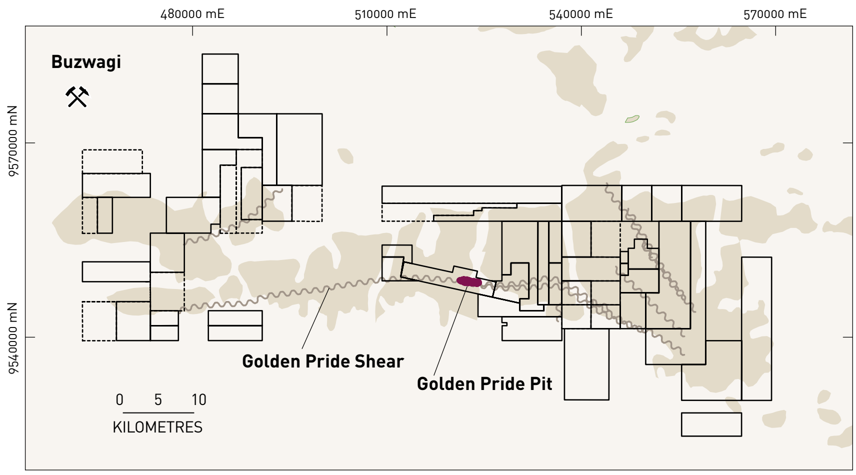



**Figure 4 – Golden Pride / Nzega District Tenure Map**

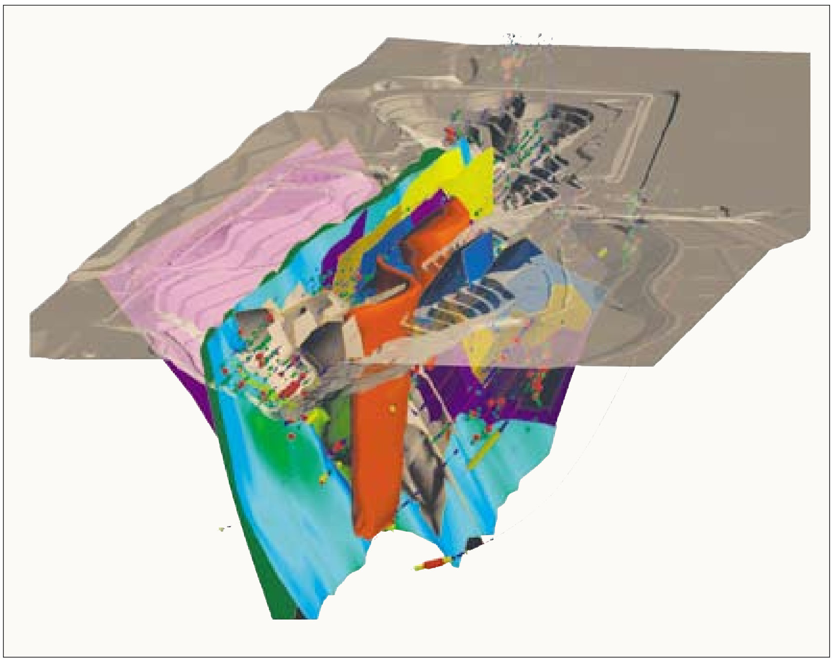


**Figure 5 – Golden Pride Geology Campaign**

## Nyakafuru Area

The Company has several joint ventures in the Nyakafuru area with Iamgold Limited (previously Gallery Gold Limited), Sub Sahara Resources Ltd and local license holders. The majority of the tenure lies within a 20km radius of the main resource at Nyakafuru Reefs. Resolute currently holds 66% equity in the Nyakafuru project.

During the previous period a new gold resource calculation for the Nyakafuru Project was determined including an indicated resource of 7.7Mt @ 2.2g/t Au for 545,000ozs plus an inferred resource of 11.7Mt @ 1.4g/t Au for 527,000ozs (all at a 0.5g/t cut-off grade) for a total of 19.4Mt @ 1.7 g/t Au for 1.1Mozs. The calculation includes the main resource at Nyakafuru Reefs as well as satellite resources at Leeuwin, Grange and Kanegele.

Activities in the last twelve months have focused on completion of a mining scoping study including metallurgical test work and completion of a preliminary environmental impact assessment.

Follow up metallurgical sampling from the main resource at Nyakafuru Reef 2E and 2W was completed during the year. Two composite sulphide ore samples from five reverse circulation drill holes were tested at AMMTEC in Perth. Results of 'whole-ore' leach test work returned recoveries of 77% and 79% after 24 hours recovery time. Tests on the same two composite samples using sulphide floatation and a fine grind (25 microns) returned total recoveries of 81% and 92%.

In addition to the metallurgical work a programme of umpire sampling was completed on historical drill samples in order to enhance the confidence of the resource. Statistical comparison of original assay results with results from pulp and coarse reject samples as well as analysis of previous umpire sampling carried out previously by Spinifex Gold was undertaken. Both umpire sample tests demonstrate that a high level of confidence can be placed in the assay values contained within the Nyakafuru Reefs dataset.

Reconnaissance exploration at Nyakafuru was restricted to soil/auger sampling and induced polarisation geophysical surveys during the last year. A series of high priority targets have been outlined for drill testing, including direct extensions to the Nyakafuru Reefs and Voyager resources.

## Tanzania Regional Exploration

During the past year Resolute has almost doubled its land position in Tanzania, focused on building the strategic tenement portfolio around Golden Pride through joint ventures and new applications. In addition an extension to the Nzega Greenstone belt has been identified under shallow cover in gravity data to the south east of Golden Pride. This area is essentially unexplored and represents an excellent new opportunity for reconnaissance exploration in the highly productive Lake Victoria Region. Several new tenements and joint ventures covering this area have been accumulated and exploration is now underway.

Potential for the discovery of diamondiferous kimberlites in tenure around Golden Pride has been recognised by Resolute, and as a result partners with diamond expertise have been sought. During the year a strategic alliance was signed with Redox Diamonds, a privately funded organisation with extensive diamond exploration expertise, to explore for diamonds on Resolute tenure throughout Tanzania. Under the terms of the agreement Redox must spend US$10M or complete a feasibility study to earn 80% of individual diamond prospects. Resolute can retain a 20% contributing equity, with the option to buy back to 40% equity on the best target by paying Redox five times the exploration expenditure.

Redox is currently assessing more than thirty six priority kimberlite targets of which seven have been now been tested with air core and auger drilling. To date five targets have been confirmed as kimberlite, and several targets show favourable mineralogy for diamond preservation. Most of the targets lie in the Matinje area, which is a southward extension of the high productive Mwadui Kimberlite field.

AUSTRALIA

## Ravenswood

Ravenswood is located approximately 95km south-west of Townsville and 65km east of Charters Towers in north-east Queensland.

The project encompasses a series of exploration permits and mining leases covering an area of 1,368km² centred on the Sarsfield plant. During the year target generation studies have identified a number of high priority areas in the district, some of which lay outside existing tenure. New EPM applications covering 968km² have been lodged to cover these areas (Figure 6).

Regional exploration around Ravenswood has focused on the systematic evaluation of some eighty or more targets previously identified in the district. This work has included extensive soil sampling, geological mapping, costean excavation and rock chip sampling. A number of targets were progressed towards drill testing.

Some 6,700m of exploration reverse circulation/diamond drilling were completed at Ravenswood during the year as well as nearly 15,000m of development drilling, mostly at Mt Wright. Reconnaissance reverse circulation drilling was completed at Milne's Reward, Horseshoe and Erin's Hope. At Milne's reward results returned a series of low grade intercepts to a maximum of 9m @ 1.66g/t Au. Further results confirm reasonable continuity of mineralisation along a 240m strike length. Further work in this area is ongoing.

Detailed reverse circulation /diamond drilling was completed on deeper targets near Mt Wright, Buckreef West and Sarsfield. Diamond drilling from underground at Buckreef West intercepted a number of high grade vein structures which are thought to represent extensions of the historically mined Sunset and Grant Lodes. Production records from these mines suggest that in the order of 500,000ozs was extracted at very high grades from relatively continuous vein structures

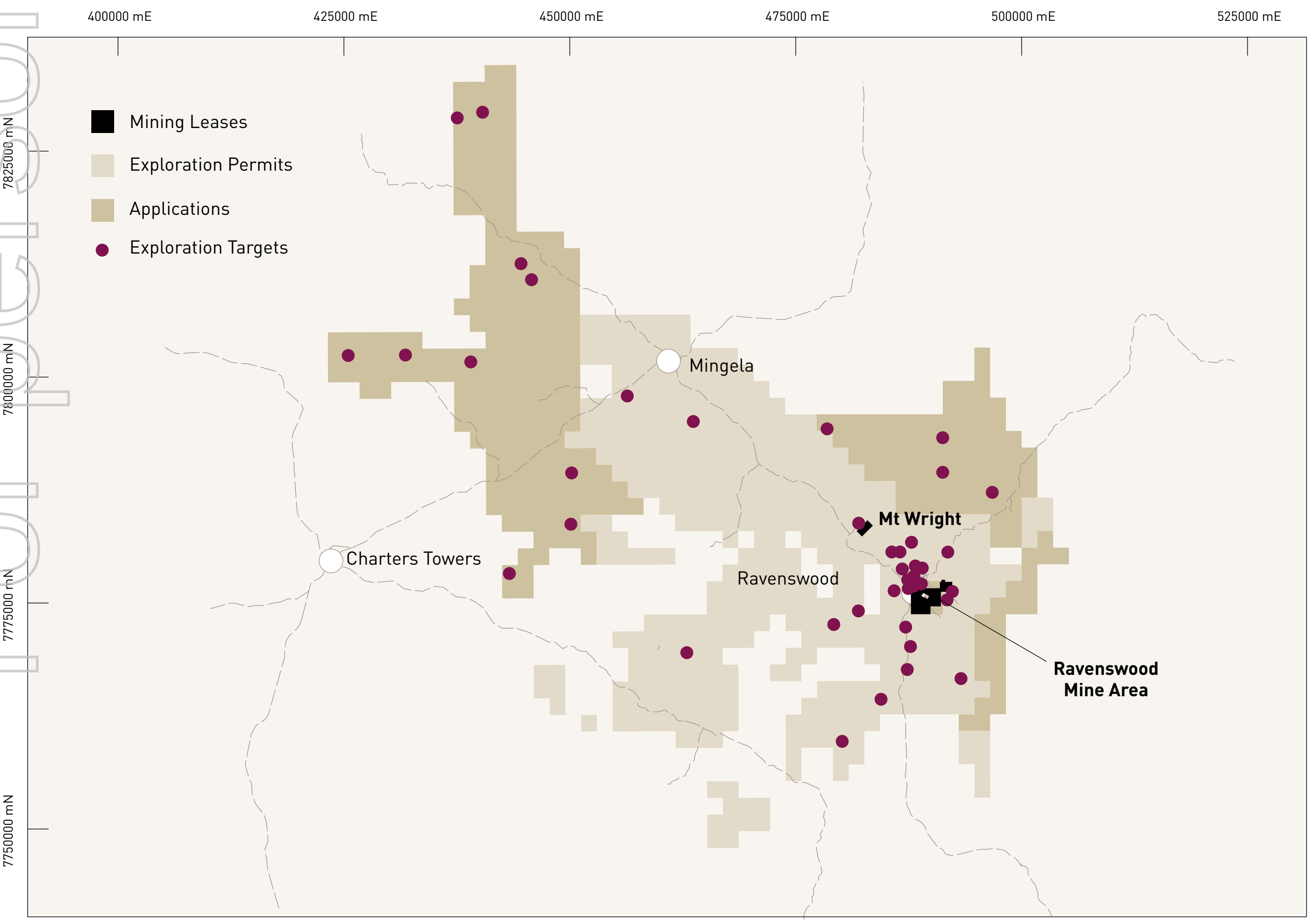



**Figure 6 – Ravenswood Location Map showing tenure**

down to about 300m. Intercepts from the four holes drilled this year include 7m @ 44.4g/t Au, 4m @ 11.5g/t Au and 2m @ 18.9g/t Au. Whilst these vein structures are challenging exploration targets, significant potential for high grade resources that might be exploited from existing underground infrastructure at Buckreef has been identified. It is planned to conduct further scoping drill holes to assess the extent of the mineralisation.

At Sarsfield a deep diamond drill hole was in progress at the end of the year that is designed to test for significant high grade or bulk mineable resources at depth in the Ravenswood mineralised system. Several structures of interest including extensions of the Buckreef, Area 4 and possibly Sunset/Grant Lodes have been intersected. Follow up drilling will be dependent on the identification of a significant mineralised intercept.

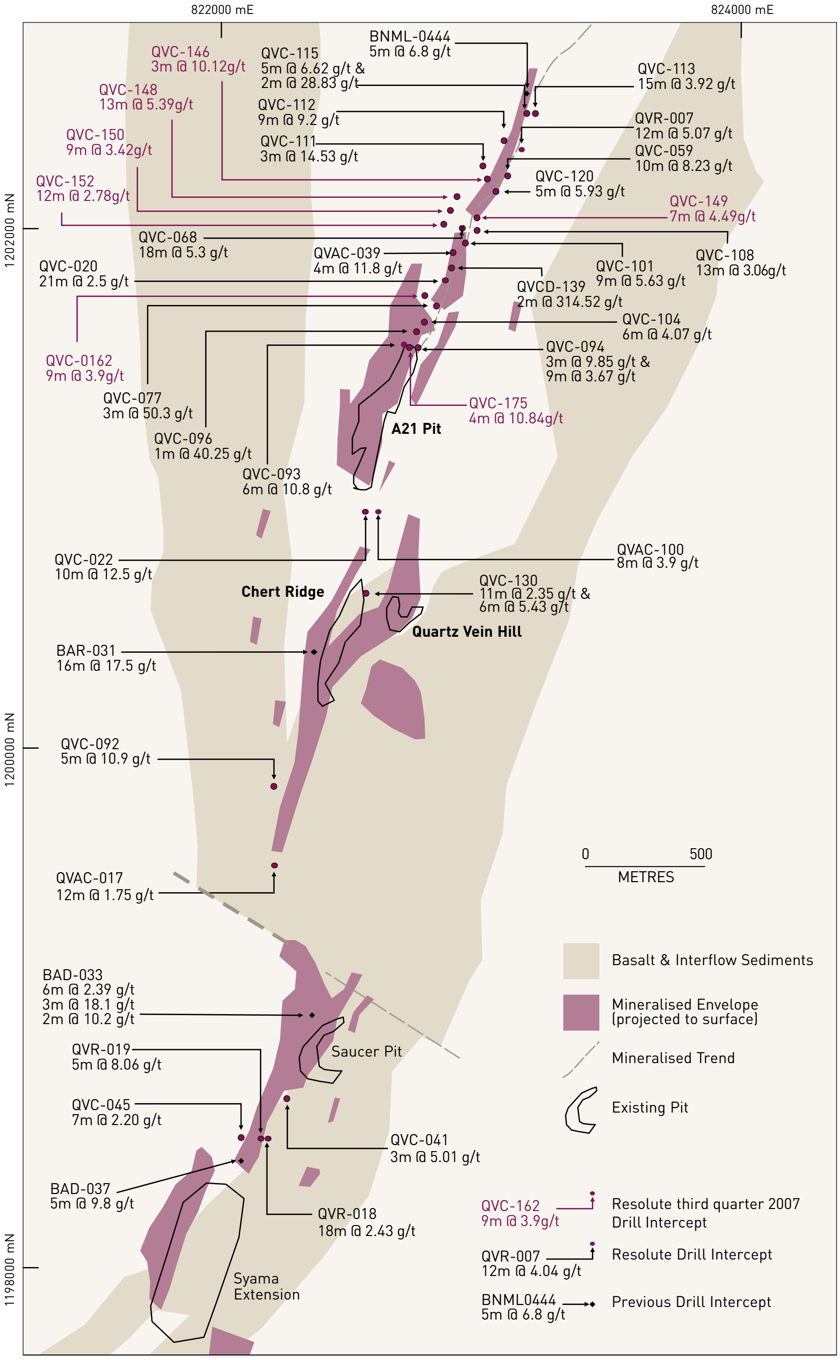
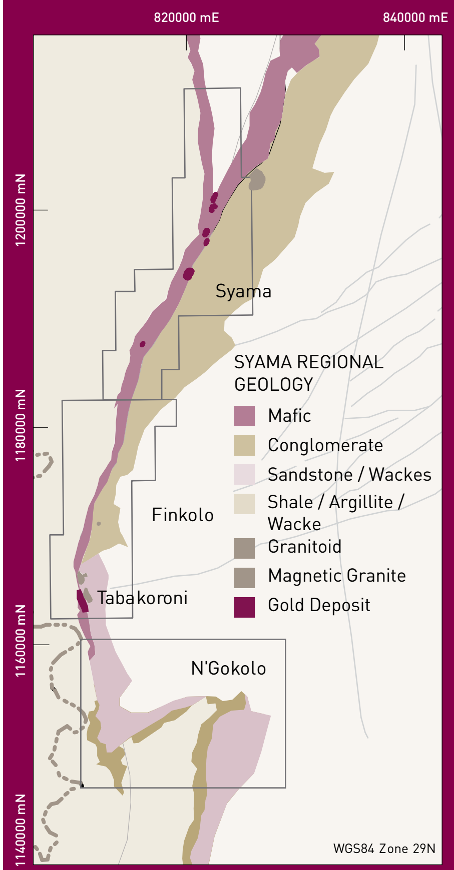



**Figure 7 – Syama – Quartz Vein Hill**

## MALI

Exploration in the Syama belt continued at a high level during the year focused on advancing two advanced prospects that have potential to add near term ounces to the Syama resource base. Some thirty thousand metres of exploration drilling were completed on these prospects during the year with new resource models currently in preparation. The district around Syama provides an excellent opportunity to make significant discoveries in a poorly explored but obviously fertile greenstone belt. The economic impact of even modest near surface discoveries in the hinterland of Syama could be considerable.

In addition to the regional exploration, a detailed geology campaign was completed on the Syama deposit itself in order to better understand the controls on the mineralisation and develop an exploration footprint model for use in regional exploration. The programme was very successful and provided a series of exploration targets near the Syama pit as well as a geochemical alteration signature that should be readily identifiable in regional exploration.



### Quartz Vein Hill Area

Systematic drilling commenced on the first of several high priority prospects around Syama, identified during the 2006 season. The main focus was on the A21 area where reconnaissance activities had defined mineralisation potential over several kilometres of strike only 6 to 11km north of the Syama treatment plant. Air core drilling located a new and apparently consistent zone of shallow oxide mineralisation over approximately 1.6km of strike immediately north of the A21 pit. An induced polarisation geophysical survey over this area successfully assisted in the definition of a sheared contact between sedimentary and mafic rocks that appears to focus the mineralisation. Subsequent reverse circulation drilling has been carefully targeted on the mineralised contact and has provided consistent mineralised intercepts over the full strike length. Nearly all sections drilled to date reported intercepts of 2g/t Au to 15g/t Au grade over widths of 8 to 20m with better results including 18m @ 5.3g/t Au, 15m @ 3.9 g/t Au and 13m @ 5.4 g/t plus some locally very high grade intercepts including 2m @ 314.5g/t Au and 1m @ 1,032g/t Au.

In August 2007 a follow up resource drilling programme was undertaken at A21 North to infill the drill pattern to 50m by 25m spacing. It is hoped to define a new resource on this zone in the fourth quarter of 2007 which would then progress straight into reserve development drilling. Exploration focus in the coming months will move onto testing other prospects of high priority including the zone between Quartz Vein Hill and A21 where intercepts up to 10m @ 12.5g/t Au have been obtained in reconnaissance drilling (see Figure 7).

### Finkolo JV – Etruscan Resources (Resolute 60%)

Resolute completed it's earn in phase in the Finkolo Joint Venture south of Syama in February 2007, taking its equity to 60%. Under the terms of the joint venture agreement Resolute will continue to fund all costs of the joint venture until production of a feasibility study and Etruscan will reimburse Resolute from 40% of its share of future project cash flow.

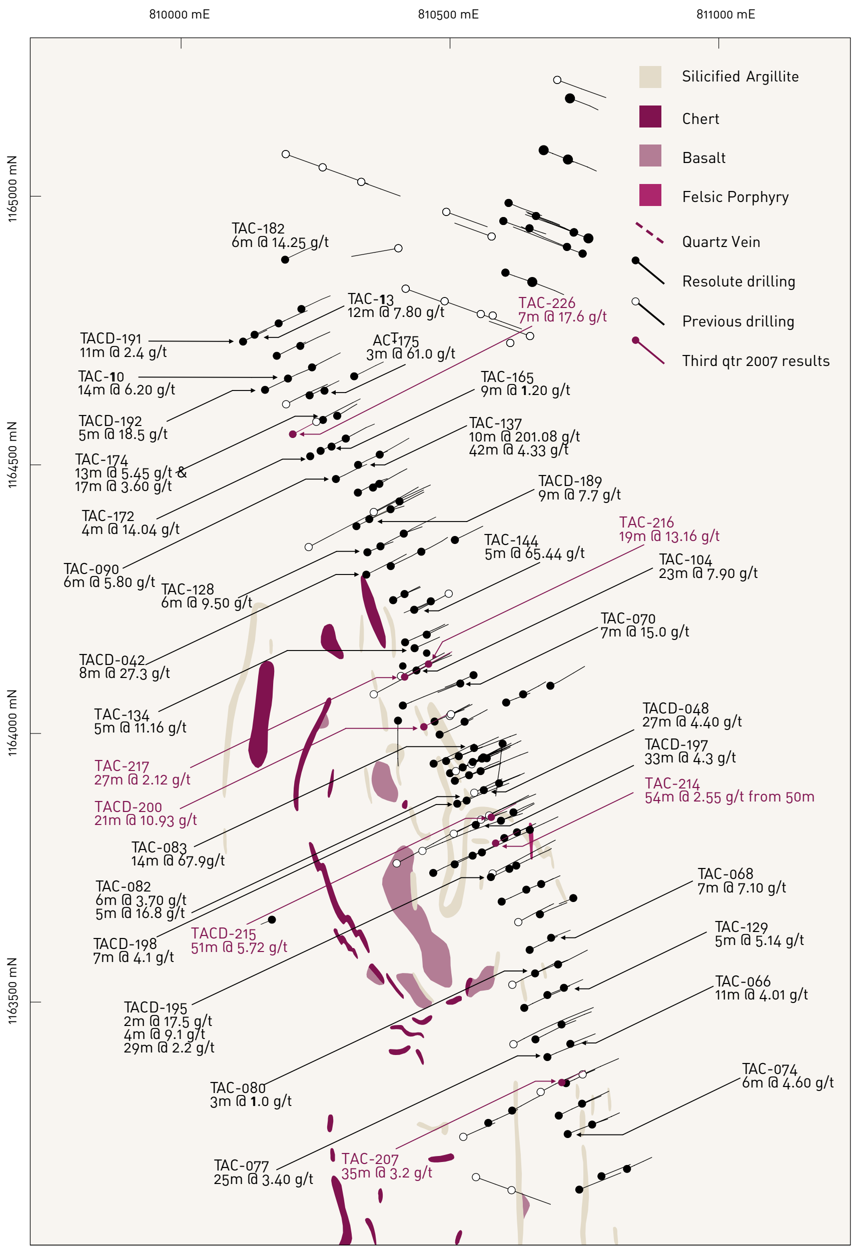



**Figure 8 – Tabakoroni Prospect (Finkolo JV) drill results**

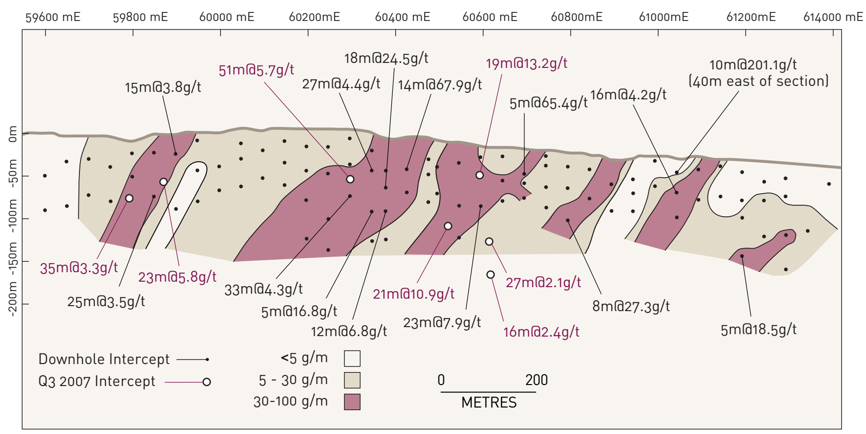



**Figure 9 – Tabakoroni Prospect (Finkolo JV) North South Long Section**

An initial JORC compliant resource was reported for the Tabakoroni prospect in 2005/6 totalling some 3.7Mt @ 3.1g/t Au for 371,000ozs (indicated and inferred). Two extensive programmes of follow up drilling totalling 8,700m of reverse circulation and 850m of diamond drilling in eighty seven drill holes have been completed during the 2006/7 year. These programmes were aimed at infilling and extending the resource along strike and at depth. Many exceptional results were reported from this programme including: 10m @ 201.1g/t Au, 42m @ 4.3g/t Au, 5m @ 65.4g/t Au, 51m @ 5.7g/t Au and 23m @ 7.9g/t Au(figure 8).

The recent results from Tabakoroni are all the more significant as the drill holes were targeted essentially between the previously outlined high grade areas which were largely restricted by a lack of drilling information. The good grades returned appear to confirm that the mineralisation is focused in a series of steeply dipping shoots which have now been successfully targeted down dip demonstrating good continuity into fresh rock (Figure 9). An updated model is currently in preparation which should see a significantly enlarged resource for Tabakoroni reported later in 2007.

Air core drilling was completed on extensions to Tabakoroni and Porphyry Zone during early 2007. The total programme consisted of one hundred and seventeen drill holes for 6,157m. Results show areas of anomalism both to the north and south of Tabakoroni with several intercepts in excess of 1g/t Au which justify follow up reverse circulation drilling.

## GHANA

In Ghana exploration activities have been focused on the Weststar - Blue River project.

### Weststar and Blue River

These concessions lie immediately along strike from the Salman - Anwia project area being explored by Adamus Resources where a total resource of 1.5Mozs has been reported.

During the year a programme of some ninety four reverse circulation drill holes and one diamond drill hole were completed for a total of 5,089m to test the extensive geochemical anomaly identified along strike from the Salman deposit. Reconnaissance drilling during the previous year had returned results up to 16m @ 3.3g/t Au at Blue River.

Best results from the recent programme have included 13m @ 2.2g/t Au from 5m, 8m @ 2.3g/t Au from 28m and 12m @ 1.6g/t Au from 39m. Mineralisation is hosted in smoky blue quartz veins within graphite shear zones. Based on the results to date, the areas of best mineralisation appear to be in pods of 250-300m strike lengths and extend over a total of 1.6km strike length.

A detailed induced polarisation geophysical survey was completed over the Blue River targets with the view of focusing future drilling on structural 'jog's' in the shear zones that appear to be focus for the mineralisation.

### Akoase

This project is located approximately 140km north-west of Accra. An inferred resource was established in 2006 at Kadewaso including 13.3Mt @ 1.2g/t Au for 513,000ozs (at a 0.5g/t cut off).

Potential has been identified to extend the Kadewaso mineralisation along strike to the north-east. In addition a new target has been highlighted by geochemical sampling on a separate trend to the west of Kadewaso.

A detailed airborne magnetic and radiometric survey was completed over the Akoase project area during the year. Preliminary inspection of the results suggests a number of areas for follow up investigation. A series of magnetic ridges corresponding to previously defined resources at Kadewaso suggest a possible en-echelon arrangement of the higher grade zones.

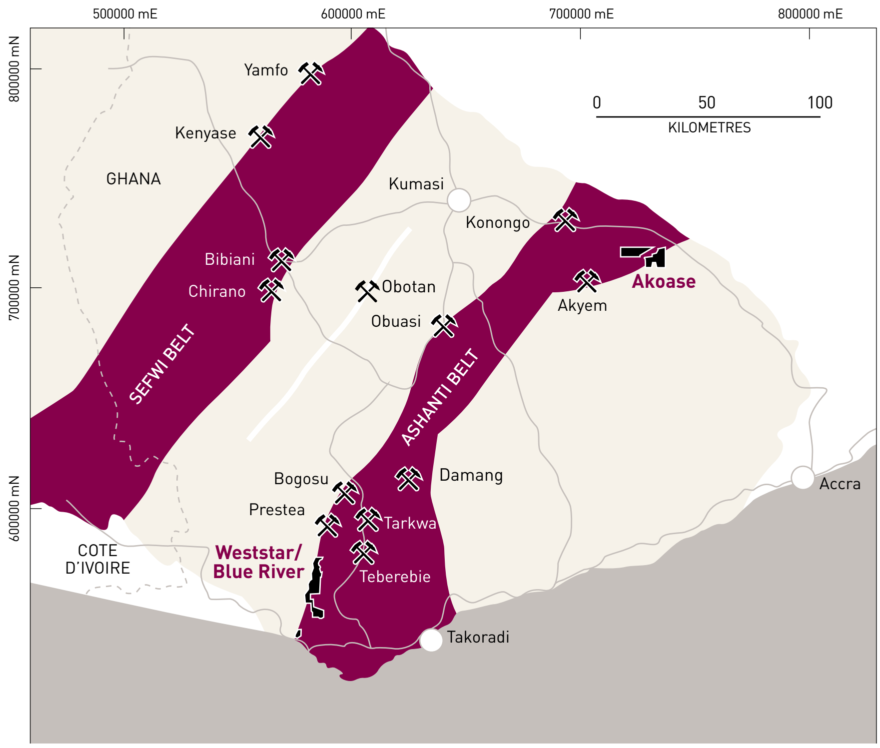



**Figure 10 – Ghana Properties**

# 05 CORPORATE RESPONSIBILITY

RESOLUTE IS MINDFUL ITS ACTIVITIES MAY POTENTIALLY HAVE AN IMPACT ON THE ENVIRONMENT AND A BROAD RANGE OF PEOPLE. THESE PEOPLE ALL, IN ONE WAY OR ANOTHER, CONTRIBUTE TO OUR ABILITY TO SUSTAIN OUR ACTIVITIES IN A HARMONIOUS MANNER WITHIN THE COMMUNITY AND ENVIRONMENT.

THE COMPANY IS COMMITTED TO BUILDING RELATIONSHIPS THROUGH WELL-TARGETED SOCIAL, SAFETY AND ENVIRONMENTAL PROGRAMMES. RESOLUTE AIMS TO SUPPORT THE LOCAL COMMUNITIES BY ASSISTING WITH PROGRAMMES AND PROJECTS THAT DELIVER LASTING BENEFITS.

## ENVIRONMENT

Resolute is committed to achieving the best balance between protection of the environment and economic development. Resolute's Environmental Policy provides the objectives for the environmental management programmes to be achieved by its operations, as:

- Comply with and, where appropriate, exceed the requirements of applicable legislation, regulations and other policies, codes and standards to which we subscribe
- Progressively develop, implement and maintain environmental management systems that are consistent with internationally recognised standards
- Integrate environmental processes throughout all aspects of our activities
- Identify and assess the potential environmental effects of our activities and manage environmental risk
- Continually improve and regularly monitor, audit and review our environmental performance, including reducing the effect of emissions, developing opportunities for recycling and more efficient use of resources
- Promote environmental awareness among our personnel and contractors to increase understanding of their roles and responsibilities in environmental management
- Develop our people and provide resources to meet our environmental objectives
- Promote our environmental progress and performance through liaison with and public reporting to the Government and community

During the year Environment was incorporated into the existing Resolute Safety and Health Management System in order to produce a single management system now titled 'Safety, Health and Environment Management System'. The system provides guidance to site management through detailed Standards, Guidelines and Audit Protocols.

Resolute 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 water 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 Resolute's licence conditions or of the relevant Acts and Regulations. The operations have had no fines or prosecutions from the regulatory authorities. No high or critical environmental incidents occurred that could have medium to long-term impacts.

### Golden Pride Mine - Tanzania

Environmental performance at Golden Pride continued to develop with the highlights being the raising of 47,000 trees, review and improvement of environmental monitoring practices, development and implementation of a Wildfire Management Plan and the continued training and development of environmental personnel. Support of the local community reforestation initiatives continued with the donation of over 17,000 trees to local schools and farmer groups and the continued support of community nurseries. Since commencement of operations Golden Pride has planted in excess of 400,000 trees and donated to community approximately 225,000 trees.

#### *Rehabilitation*

30,000 trees were planted in the mining area which included 18ha of newly available re-shaped waste rock dumps.

#### *Waste Management*

Waste is managed at Golden Pride by separating the waste at source and disposing or recycling the different types of waste to dedicated disposal areas or recyclers. Recycling is carried out for the benefit of community institutions by way of donation or sold and the revenue directed to community development projects.

#### *Water Management*

Surface water and groundwater monitoring is carried out on a monthly basis. Investigation of all exceedances and implementation of remedial actions is undertaken.

#### *Emissions*

Dust monitoring continued and showed that dust from the mine site is not affecting surrounding properties.

#### *Tailings*

The annual tailings storage facility audit indicated the facilities were being operated efficiently and there were no significant issues with structural stability or compliance with procedures.

#### *Compliance*

There were seven non-compliance issues carried over from last year and five new identified non-compliances during the year. Six of the twelve non-compliances were rectified. The majority of the outstanding non-compliance issues are long-term technical issues that are being progressively addressed.

### Syama Mine - Mali

#### *Rehabilitation*

At the re-commencement of operations, progressive rehabilitation will be undertaken as areas become available, including some of the areas disturbed during previous operations.

#### *Water Management*

Monitoring of surface water and groundwater quality shows that it is generally within acceptable values. There are however high dissolved salt levels in seepage water from the Syama tailings storage facility. These will be contained by the construction of a new engineered facility downstream of the tailings storage facility prior to the commencement of operations.

#### *Compliance*

During the year, there were no non-compliances reported.

#### *Environmental and Social Impact Statement*

The Environmental and Social Impact Study has been completed and submitted to the Malian Government. It is expected that the site will obtain approval by October 2007.

## Ravenswood Mine - Queensland

Environmental management continues to play an important role in operations at Ravenswood, in particular the recent focus has been on the development of the Mt Wright underground, in-pit tailings disposal, rehabilitation trials, environmental training and the merging of environmental management systems into the Safety, Health and Environment Management System. Efforts are continuing to maintain and improve the site Safety, Health and Environment Management System.

*Rehabilitation*

A new straw crimping technique was trialled as a possible application for rehabilitating waste rock dumps. This method provides benefits such as increasing the organic matter in the soil and reduces erosion and soil moisture loss. Preliminary results on the 10ha trial area is positive. With recent changes to operations in respect to the Mt Wright Underground and in-pit tailings disposal the Mine Closure Plan (2005) will be amended. Further amendments of this Plan may be required on approval of our rehabilitation criteria by the Environmental Protection Agency.

The tailings disposal facility decommissioning and rehabilitation studies commenced last year are nearing completion and will be reviewed and implemented in consultation with the regulatory authorities.

*Waste Management*

Waste management programmes continue to be improved by reviewing projects for recycling, reuse and disposal.

*Water Management*

Surface and ground water sulphate levels due to tailings dam seepage continue to be addressed. The detailed investigation into the potential long-term impacts that was commenced last year is nearing completion. The investigation is covering the geochemistry of the tailings, review of seepage interception strategies and the positive and negative impacts on downstream ecosystems. The assessment of potential impact of seepage on downstream vegetation concluded that long term impacts were minimal providing the seepage levels remain stable.

Improving the use of recycled water within the processing plant and the Mt Wright underground project continues to be a high priority. Efforts have been successful in reducing the requirement for importing water at Mt Wright by recycling and treating water contained within old mine workings.

*Emissions*

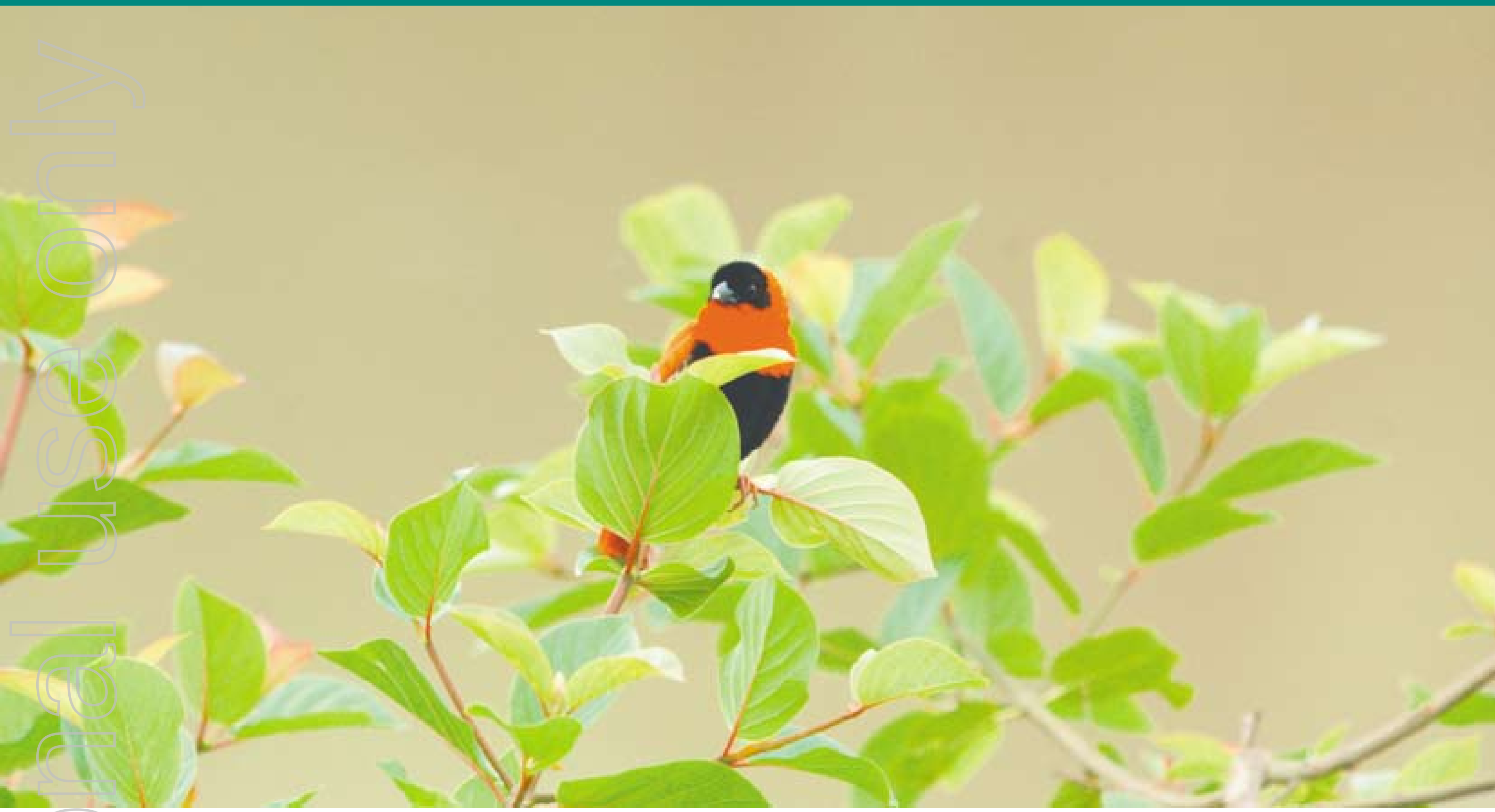
Resolute is a signatory to the Federal Government's Greenhouse Challenge Plus Programme. This requires the mine site to report to the Department of the Environment and Heritage–Australian Greenhouse Office its greenhouse gas emissions and proposed emission reduction actions. Ravenswood Mine intends to make a reduction in the current $CO_2$ emission of 170,251t by approximately 10.5%, a reduction in emission of approximately 17,905t of $CO_2$. It is intended to achieve these reductions over the next eighteen months to two years by undertaking the following:

- Reduced electricity consumption by undertaking in-pit tailings disposal and a staff awareness programme to encourage the turning off of non-essential plant and the selection of more efficient equipment;
- Reduced fuel consumption by undertaking in-pit waste rock disposal and lower pit strip ratios;
- Reduced LPG consumption by undertaking larger and less frequent Gold Room smelts; and
- Reduced explosives consumption by undertaking lower pit strip ratios and material movement.

The Greenhouse performance measure for Ravenswood Mine will therefore result in a reduction in the next two years from 0.033 to 0.028t of $CO_2$ emission per tonne of ore milled.

*National Pollution Inventory*

The site's submitted annual National Pollution Inventory Report concluded there were no significant changes to emission levels.





*Blast Overpressure Limits*

Amendments to the site's Environmental Authority include an increase in blast overpressure limits better suited to the local environment and in-line with other mining operations in Queensland. The community was consulted as part of the amendment process and no objections in respect to these limit changes were received. The amended Environmental Authority was approved in July 2007.

*Dust*

Reduction of dust emissions from mining, haulage, crushing and conveying operations is being achieved through more efficient water application.

*Tailings*

Plans to dispose tailings into the Nolan's pit were assessed as being both environmentally and economically sound after conducting scientific and engineering studies. Amendments made to the site's Environmental Authority included the use of the Nolan's pit for tailings disposal. The community was informed of these plans and concerns were addressed through the Environmental Protection Agency's Environmental Authority approval process. With the approval of the amended Environmental Authority in July 2007, in-pit tailings disposal commenced in August 2007.

*Compliance*

The main compliance issues have been the ongoing exceedance of sulphate levels in the tailings dam seepage water and elevated cadmium levels from an old waste rock dump site at Mt Wright. The tailings dam seepage water sulphate levels are being investigated in consultation with the Environmental Protection Agency and the studies are expected to be completed next year.

After further consideration during the year, strategies for removing and disposing the Mt Wright waste rock with elevated cadmium have been determined and its rehabilitation will be undertaken next year.

**Eastern Goldfields – Western Australia**

Environmental and rehabilitation responsibilities at Resolute's Eastern Goldfields mine sites at Chalice, Higginsville, Bullabulling and Hopes Hill focused on:

*Care and maintenance*

Rehabilitation monitoring using Ecosystem Function Analysis. Results continue to indicate that rehabilitated areas are developing into functional ecosystems

*Planning future rehabilitation programmes*

Future rehabilitation obligations will be significantly reduced as a result of entering into an agreement with Avoca Resources Limited to sell them a tenement located in the Higginsville region that contains the tailings dams used by the Higginsville Gold Project in the 1990's. As part of the sale, Avoca will take responsibility for all uncompleted rehabilitation obligations and replacement of all environmental performance bonds.

## COMMUNITY RELATIONS

Resolute recognises the need to focus on and proactively manage community issues in the areas surrounding its operations. Resolute is committed to fostering long-term relationships and partnerships with these communities by developing a culture of mutual understanding, cooperation, consultation and respect.

Our social investment initiatives aim to deliver significant and lasting benefits to employees, the community and other key stakeholders through our community management programmes that:

- Recognise and respect the value of cultural heritage and cultural diversity
- Establish enduring relationships with communities based on honesty and mutual trust
- Support the development and implementation of sustainable social and economic initiatives within the communities through co-operation and participation
- Provide management systems to identify, assess, monitor and control existing and potential impacts on communities
- Maintain an 'open door' policy whereby the local traditional leaders and community leaders have access at reasonable times to the Company's management
- Ensure that employees are aware of and understand the requirements of the community management objectives

### Golden Pride Mine - Tanzania

Resolute (Tanzania) Limited has continued its involvement and support of the local community since its establishment in 1998. Assistance has been provided in the key areas of infrastructure, education, health and environment with close to US$2 million being expended on projects to date.

*Key projects undertaken this year include:*

- Over the past six years Resolute has maintained an active role in using Participatory Rural Appraisal techniques. This programme assists the local community to determine their own development needs and solutions, which allows them to learn the skills necessary to continually improve their quality of life and opportunities for growth without direct material support from Resolute. The programme is an outstanding success with a high participation resulting in numerous new and continued community initiated development projects.
- Efforts this year were channeled into maternal health with the construction of additional facilities at the maternal waiting room in Nzega District Hospital, renovation of the maternity block at the Mbogwe Dispensary and donation of beds to the Uyui, Nzega Ndogo Health Centres and the Mwangoye, Nata and Mbogwe Dispensaries.
- In response to the African Medical and Research Foundation (AMREF) research on HIV/AIDs within the local community undertaken in the previous year, the education and training project established was extended to a further five villages and three secondary schools.
- Resolute (Tanzania) continued to support the government in its campaign to establish new secondary schools in every ward in Tanzania. The Hon. Magreth Sitta, Minister of Education, officially opened Nata Secondary School in October 2006, at which Resolute (Tanzania) constructed the administration block, six class rooms and girl's hostel. Other constructions included a new primary school with two classes and teachers office in Bukene, two class rooms at Nzega Ndogo Primary School and assistance with two teacher houses in the area.
- Community environmental projects have progressed well during the year with a new nursery established at Ibadamagu Village, training for community members provided by Resolute (Tanzania) in bee keeping and nursery management and the continued participation in Clean Up the World Day and World Environment Day events in the district.

### Syama Mine - Mali

The Syama Mine Community Consultative Committee (SMCCC) established in 2001 with representatives from local villages, Malian government and SOMISY continued to meet monthly during the year. The Committee is used as a forum by SOMISY to inform and address community concerns and community project proposals.

The local community was also regularly updated on the progress of the Syama Gold Mine Project development.

SOMISY also actively consulted with the community as part of the Environmental and Social Impact Study (ESIS) process. Minutes from all of these community meetings were appended to the ESIS.

### Ravenswood Mine - Queensland

Ravenswood Mine is located adjacent to the historic town of Ravenswood. Due to the operations close proximity, significant emphasis is placed on maintaining positive relationships with the community and keeping them informed about proposed changes to the operations. Specific initiatives include:

- Continuing support of the Ravenswood Restoration and Preservation Association, who are mandated with the management of heritage listed buildings and the development of tourism.
- Continuing support of the Ravenswood Permaculture Group and their composting project to improve soil conditions within the town common. The project uses waste paper, cardboard and food scraps to reduce landfill and promote sustainability of resources.
- Ongoing communication and involvement of the community through community meetings and community newsletters. The community consultation focus this year was in respect to the in-pit tailings disposal and amended Environmental Authority.
- Incorporation of areas within the town common into Carpentaria Gold's Weed Management Plan.
- Access for the district community to the on-site clinic and occupational health nurses.

## HEALTH AND SAFETY

Resolute is committed to achieving the highest performance in Occupational Health and Safety to create and maintain a safe and healthy environment at the workplace.

At every site, the health and safety of personnel and local communities are of fundamental concern to Resolute. The Company seeks to conduct operations in an efficient and effective manner whilst providing:

- A healthy and safe workplace
- Information on the hazards of the workplace and training on how to work safely while caring for the environment, and
- Consultation at all staff levels on safety, health and environmental matters

No employee is expected to carry out work they reasonably consider to be unsafe.

Implementation of the Company's Safety, Health and Environment Management System is ensuring that all industry standards are consistently met. This system actively strives to attain the safety, health and environmental standards set by Resolute. Each site plan incorporates:

- Experience gained from other operations within the Resolute Group, and where possible, other mining companies, thereby ensuring all sites utilise the most up-to-date and effective techniques
- Site specific circumstances, including such factors as available infrastructure and the experience of the staff
- Updates to benefit from innovations, new technology and operating experience

Site audits on the Safety, Health and Environment Management Systems are performed at regular intervals by independent consultants. Internal audits are regularly undertaken to ensure progress in implementation of these systems.

### Golden Pride Mine - Tanzania

The Golden Pride Project continued to build on the high level of safety awareness it has established in its work culture.

During the year an internal gap analysis audit of the site's Safety and Health Management System was conducted and a plan implemented to ensure continuous annual improvement. The System was also modified to include environment into a combined site Safety, Health and Environment Management System.

At year end the 12 month moving average Lost Time Injury Frequency rate was 1.96, a 50% reduction from the previous year of 3.94. There were a total of five lost time injuries recorded as compared to nine in the previous year. All five LTI's were attributable to the mining contractor.

Training of the Golden Pride staff continued with both internal and external trainers. The competency based training programme is well advanced within the Junior Staff employees and is being implemented throughout the Senior staff workforce. The success of the programme is clearly evident in the improved skill set and competency of employees and the flow-on benefits to the operation.

### Syama Mine - Mali

Construction started in September 2006. Focus has been on raising safety awareness and developing and implementing safety procedures.

At year end the 12 month moving average Lost Time Injury Frequency rate was 4.3.

### Ravenswood Mine - Australia

Continued focus on the site's safety culture and safety management plan throughout the year, paid dividends resulting in a 42% decrease in the 'Total Reportable Injury Frequency Rate' – 46.5 (2005-06) compared to 26.7 (2006-07).

There has been an emphasis directed towards key performance indicators for safety that included the site based SLAM (Stop-Look-Assess-Manage), safety observations, hazard reporting, planned inspections, procedure and Job Safety and Environment Assessment risk analysis processes.

There were five lost time injuries during the year that increased the Lost Time Injury Frequency rate to 5.3.

Your directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of Resolute Mining Limited and the entities it controlled at the end of or during the year ended 30 June 2007.

## 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 the Company's 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". In the past 3 years he has also been a director of Valhalla Uranium Limited (appointed September 2005 and resigned September 2006).

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 approximately 20 years. Mr Sullivan is also director of GME Resources Limited (appointed 1996) and has previously been a director of Valhalla Uranium Limited (appointed September 2005 and resigned September 2006).

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 a non-executive director of Amalgamated Holdings Limited (appointed 1993) and was a director of Australian Pipeline Trust (appointed 2000 and resigned in December 2004).

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

**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. He is a director and treasurer of Tennis West, a previous director of Valhalla Uranium Limited (appointed September 2005 and resigned September 2006), and a consultant to the Finance Committee at the Real Estate Institute of Western Australia.

Mr Price is the Chairman of the Audit Committee and became a member of the Remuneration Committee on 11 December 2006.

## COMPANY SECRETARY

**Greg William Fitzgerald**

*B.Bus., C.A.*

Mr Fitzgerald is a Chartered Accountant with 20 years of resources related financial experience and has extensive commercial experience in managing finance and administrative matters for listed companies. Mr Fitzgerald is 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 and options of Resolute Mining Limited and related bodies corporate were:

| | ORDINARY SHARES | OPTIONS OVER ORDINARY SHARES |
|---|---|---|
| P.Huston | 301,066 | – |
| P.Sullivan | 2,622,000 | – |
| T.Ford | 3,000 | – |
| H.Price | 10,000 | – |
| | **2,936,066** | **–** |

## 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 changes in the nature of those activities during the year.

## RESULTS

Resolute Mining Limited announces a net profit after tax attributable to its members for the year ended 30 June 2007 of $170.2m (year ended 30 June 2006: $77.4m loss).

The record profit can be attributed to the $175.0m after tax profit derived on the sale of the Company's Valhalla Uranium Limited, Paladin Resources Limited and Goldbelt Resources Limited shareholdings. The majority of this gain is a result of the successful move in December 2005 to spin out the Company's key uranium assets into a separate listed entity, and the subsequent sale of this interest.

The Group's gross profit from continuing operations for year was $4.2m (2006: $25.3m).

## DIVIDENDS

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

## EMPLOYEES

The Group employed 796 employees as at 30 June 2007 (2006: 566).

## REVIEW OF OPERATIONS

### Production

The Group's gold production for the year was 255,942 ounces (2006: 290,749 ounces) at an average cash cost of $634/oz (2006: $518/oz). The Golden Pride gold mine in Tanzania, Africa, produced 138,421 ounces (2006: 145,043 ounces) of gold at a cash cost of $510/oz (or US$403/oz) (2006: $418/oz or US$312/oz) and the Ravenswood gold mine in Queensland, Australia, produced 117,521 ounces (2006: 145,706 ounces) of gold at a cash cost of $781/oz (or US$617/oz) (2006: $617/oz or US$461/oz).

The consolidated operating result has been adversely impacted by increases in all input costs. As well, there have been mining and processing issues experienced at both of the Group's gold mines. Whilst action plans to resolve these issues have been implemented, it has resulted in lower gold production and higher cash costs per ounce (compared to the corresponding period) than expected.

The average accounting revenue price achieved per ounce of gold shipped during the year increased marginally to $686/oz (2006: $657/oz).

### Exploration

Exploration programs undertaken during the year ended 30 June 2007 concentrated on advancing the Group's range of exploration properties located in Australia, Tanzania, Ghana and Mali.

### Project Development

*Syama*

Refer to comments made under the Outlook section.

*Mt Wright*

The Mount Wright underground decline was advanced by 3,126m during the year ended 30 June 2007. The first stope was fully drilled during the final quarter and production from the stope started in June. Ore production to 30 June totalled 67,731 tonnes which is in line with the mine model. Mine stoping was slightly ahead of plan. Drilling defined more ore in the upper stope and significantly more development ore was added to the schedule than originally expected. Development of the second stope is also largely complete. The haulage road and the water pipeline from the existing operations to Mount Wright continues to be constructed with completion expected by the end of September 2007. The power line from the Nolan's Plant that will supply grid power to Mount Wright is targeted to be completed by the end of the December 2007 quarter.

### Corporate

During the year ended 30 June 2007, the Company sold its 83.3% stake in Valhalla Uranium Ltd to Paladin Resources Limited for consideration of 31.6 million Paladin shares. These shares were subsequently sold and total proceeds received were $173.1 million.

Additionally, the Company sold its substantial shareholding in Goldbelt Resources Limited for a cash consideration of $26.4 million.

As at 30 June 2007, the Group had $67.8m of cash and bullion. As well as this cash balance, the Group had a receivable relating to the pending reimbursement from the Syama mining contractor of US$18.7m (or $22.1m) receivable once the mining contract is signed. Additionally, the Group held $13.5m of liquid investments. Borrowings at period end totalled $7.7m. The Group's balance sheet has strengthened considerably and at 30 June 2007, the consolidated net assets were $264.6m, which is a significant increase from the $83.7m at 30 June 2006.

To better optimise the use of funds, a decision was made to accelerate the repayment of borrowings, and so during the year there was a reduction in borrowings of $26.6m.

## OUTLOOK

### Operations

At Golden Pride, an amicable termination with the existing mining contractor has been negotiated and a new mining contractor commenced mining operations from 1 July 2007. The transition has been seamless with the new contractor taking over the existing equipment and workforce. New replacement mining equipment has been progressively arriving at site during the September 2007 quarter. Furthermore, the installation of two new pre-leach tanks is anticipated to be completed shortly. This will lift overall plant recoveries. Mining has commenced on the re-optimised pit design. Higher grade ore in the first 3 quarters of the coming financial year is expected to lift the average grade of ore to be processed. Towards the end of the fiscal year access to higher grade ore will be limited and the head grade is predicted to reduce significantly, whilst the majority of the mill feed is temporarily sourced from low grade stockpiles.

At Ravenswood, a major shutdown was carried out in June and a number of changes made to improve the future performance of the treatment plant. This was successfully completed and the plant has ramped up to normal throughput rates. Sarsfield open pit mining is moving to the Keel and Bell areas with the poorer performing Area 5 ore now completed. At the Mt Wright underground mine, located 11 kilometres from the Ravenswood treatment plant, there has been over 3.4 kilometres of decline development and ore mining from the upper stopes is underway.

The decline is projected to extend to the main ore zone by the end of 2008. Mt Wright ore is expected to provide approximately 20% of the Ravenswood gold production in the coming year. An improvement in Ravenswood gold production and cost per ounce is expected due to the rectification work undertaken, and the positive impact that the introduction of Mt Wright ore will have on the average head grade of ore to be processed in the coming year.

Forecast gold production for the Group for the year ending 30 June 2008 is 330,000 ounces, which is significantly higher than gold production in the year ended 30 June

2007. This improved outlook is being driven by anticipated improvements in throughput, head grade and recoveries at Golden Pride, anticipated improvements in head grade and recoveries at Ravenswood, and the potential for the production of some gold from the Syama project in the latter part of the financial year during the commissioning/ramp up phase. The forecast cash cost per ounce is around $560, which is lower than that achieved in the 2006/07 year, mainly driven by the anticipated higher head grade of ore to be processed.

**Project Development**

Work continues on the redevelopment of the six million ounce Syama gold mine in Mali. Completion is scheduled for the second half of calendar 2008. Once complete, Syama will become a major production asset contributing 250,000 ounces of annual production to the Group.

Engineering is nearly complete and procurement well advanced with pipe and steelwork starting to arrive at site. Construction activities are progressing on schedule.

Recruitment of key senior management is well advanced with a number of new employees recently taking up posts.

The contract negotiation with mining contractor PW International Ltd S.A.R.L ("PW Mining"), for the Syama Bulk Mining Phase, is nearing completion. Mining equipment deliveries have started and mining is planned to commence in the December 2007 quarter.

PW Mining will partially fund its acquisition of the US$36m Syama mining fleet by borrowing US$31m from BNP Paribas. RML has agreed to provide financial support to this transaction by guaranteeing the repayment to BNP Paribas of the outstanding amounts under this loan facility. The provision of this guarantee by RML has provided PW Mining with a cheaper cost of funding, and this is to be passed on to the Group in the form of lower mining contract rates for the Syama Project over the next 3 years. The BNP Paribas loan facility is of a standard nature and is repayable in quarterly instalments over 3 years. In the event that the loan is not repaid in accordance with the loan agreement, BNP Paribas has initial recourse against PW Mining and 3 other PW Mining group entities that are co-borrowers, each of which generate cash flow from their respective mining contracts in different countries in Africa. The cash flow generated by the PW Mining group from the various mining contracts is to be deposited into a BNP bank account, and BNP will have a charge over this bank account. The cash in this secured bank account is to be applied firstly to the next quarterly debt repayment, and then surplus funds are available to be used by PW Mining. BNP will also have security over the US$36m of mining equipment being used by PW Mining at the Syama Project.

As at 31 August 2007, the costs associated with the redevelopment of Syama are tracking US$3m above the budget of US$118m. In addition, the Group has committed to the purchase of a US$19.6m power station, which will increase project capital costs by this amount, but this will be offset by lower ongoing operating costs. As at 31 August 2007, the redevelopment is approximately 34% complete, and US$47m had been spent on the redevelopment (including payments made on the power station), with a further US$42m of expenditure committed. The majority of the remaining development expenditure is expected to occur in the half year to 31 December 2007 and will be funded by a combination of debt and equity.

**Exploration and Project Evaluation**

The gold exploration and project evaluation plan for the coming financial year is focussed on three major geographical areas, being Ravenswood in Queensland, Tanzania (Golden Pride and the Nyakafuru areas), and Mali (Syama Region and the Finkolo JV). A budget of $21m has been allocated to exploration and project evaluation over the next 12 months.

Key development activities over this period, which offer potential to significantly improve the position of the respective assets, are:

- further testing and evaluation of the oxide resources at Syama and Finkolo
- resource definition drilling at Mt Wright
- resource definition drilling around and below the current Golden Pride pit.

**Funding of Future Exploration and Development Expenditure**

The Group is committed to unlocking the value of its assets as demonstrated by the current redevelopment of the Syama gold mine in Mali and the ongoing development of the Mount Wright underground mine. In addition, the Group plans to continue to commit funds to its ongoing project evaluation activities and very prospective exploration programmes.

The combination of these activities will result in significant cash outflows over the next 12 months. To fully fund these programs, the Company has been examining the different funding options to determine the most effective package for the Company and shareholders. A decision on the most appropriate package is expected to be made and announced shortly.

## 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 THE BALANCE DATE

(i) In relation to the Summit Resources (Aust) Pty Ltd ("Summit") litigation (refer Note 42(d)), on 3 August 2007, Summit, after having an independent committee obtain legal advice and review the commercial rationale for litigation, determined it to be in its 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.

Subsequently, Areva NC (Australia) Pty Ltd ("Areva") (a wholly owned subsidiary of French company, Areva NC) applied to the Supreme Court of Western Australia to intervene in the Proceedings and act on behalf of Summit (under section 237 of the Corporations Act).

Areva obtained an order for access to Summit's records in connection with the settlement of the Proceedings and the Proceedings so that it could assess its prospects of success in its application to terminate the Deed of Release and Settlement and intervene on behalf of Summit in the Proceedings. Areva is now reviewing the information provided to it and will then consider whether and how to proceed.

RML is confident that at all times the disclosure obligations under the Isa Uranium Joint Venture Agreement have been complied with.

(ii) Resolute Pty Ltd ("RPL"), a wholly owned subsidiary of RML, has entered into an agreement with Avoca Resources Limited ("Avoca") to sell to them for $nil consideration a tenement located in the Higginsville region in Western Australia and the benefit of the Chalice General Purpose Lease. This tenement contains the tailings dams used by the Higginsville Gold Project in the 1990's. As part of the sale Avoca will take responsibility for all RPL's uncompleted rehabilitation obligations in the area. This includes replacement of all environmental performance bonds related to the Higginsville region, lodged with the Western Australian Department of Industry and Resources. Upon completion and settlement of this transaction, the removal of this liability from RPL's accounts will have approximately a A$2.5m positive impact on the Group's profit in the 2007/08 financial year.

## 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 and Ravenswood mines;
(ii) continued redevelopment of the Syama Project in Mali;
(iii) continued development of the Mt Wright Project in Ravenswood;
(iv) mineral exploration will continue; and,
(v) 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. It also provides the remuneration disclosures required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures, which have been transferred to the Remuneration report in accordance with Corporations Regulations 2M.6.04.

### Key management personnel

*Directors*

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

Compensation of key management personnel

| | CONSOLIDATED | | RESOLUTE MINING LIMITED | |
|---|---|---|---|---|
| | 2007 $ | 2006 $ | 2007 $ | 2006 $ |
| Short-term employee benefits | 1,997,747 | 1,839,139 | 200,715 | 204,872 |
| Post-employment benefits | 221,325 | 192,423 | 54,285 | 45,128 |
| Share-based payments | 26,092 | 29,376 | – | – |
| | **2,245,164** | **2,060,938** | **255,000** | **250,000** |

*Executives*

| | |
|---|---|
| M. Turner | General Manager - Operations |
| D. Cairns | General Manager - Project Development |
| G. Fitzgerald | General Manager - Finance & Administration and Company Secretary |
| M. Christie | General Manager - Exploration |

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;
- sets performance levels that are linked to an executive's remuneration, and that there is a relationship between the Company's performance, individual performance and remuneration;
- 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.

### 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 committee's 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:

- Reward executives for Company and individual performance against targets set by reference to appropriate benchmarks;
- align the interest of executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and,
- 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
  - Short term incentives (STI); and,
  - 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 targets by the executives charged with meeting those targets. The total potential STI available 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 process involves analysing a number of Key Performance Indicators (KPIs) covering both financial and non-financial measures of performance. Typically included are measures such as contribution to net profit after tax, 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 average of the RML ordinary share price over the preceding 5 business days. These employee share options will also generally vest over a 30 month period.

At each vesting date, the Company assesses the performance of the executive, and if a satisfactory performance level is achieved, the relevant portion of the options vest to the executive. This performance criteria was chosen to enhance accountability of the executives and allow accurate measurement of performance.

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

| 2007 | SHORT TERM BENEFITS | | | | POST EMPLOYMENT BENEFITS | | SHARE BASED PAYMENTS |
|---|---|---|---|---|---|---|---|
| | BASE REMUNERATION RESOLUTE (i) $ | CASH BONUS $ | BASE REMUNERATION VALHALLA (i) $ | NON MONETARY BENEFITS (ii) $ | SUPER-ANNUATION RESOLUTE (i) $ | SUPER-ANNUATION VALHALLA (i) $ | OPTIONS $ |
| **Directors** | | | | | | | |
| P.Huston | 150,000 | – | 7,500 | – | – | – | – |
| P.Sullivan (iii) | 480,000 | 53,248 | 7,500 | 56,436 | 63,990 | – | – |
| T.Ford | 48,165 | – | – | – | 4,335 | – | – |
| H.Price | 2,550 | – | 750 | – | 49,950 | 6,744 | – |
| **Officers** | | | | | | | |
| M.Turner | 302,100 | – | – | 32,890 | 27,189 | – | – |
| D.Cairns (iv) | 326,765 | 20,000 | – | – | – | – | – |
| G.Fitzgerald (v) | 245,725 | 20,000 | – | 12,543 | 48,275 | – | – |
| M.Christie (vi) | 231,575 | – | – | – | 20,842 | – | 26,092 |

| 2006 | SHORT TERM BENEFITS | | | POST EMPLOYMENT BENEFITS | | SHARE BASED PAYMENTS |
|---|---|---|---|---|---|---|
| | BASE REMUNERATION RESOLUTE (i) $ | BASE REMUNERATION VALHALLA (i) $ | NON MONETARY BENEFITS (ii) $ | SUPER-ANNUATION RESOLUTE (i) $ | SUPER-ANNUATION VALHALLA (i) $ | OPTIONS $ |
| **Directors** | | | | | | |
| P.Huston | 150,000 | 24,000 | – | – | – | – |
| P.Sullivan | 480,000 | 24,000 | 48,266 | 57,600 | – | – |
| T.Ford | 45,872 | – | – | 4,128 | – | – |
| H.Price | 9,000 | 7,000 | – | 41,000 | 16,980 | – |
| **Officers** | | | | | | |
| M.Turner | 271,461 | – | 29,503 | 24,300 | – | – |
| D.Cairns | 302,500 | – | – | – | – | – |
| G.Fitzgerald | 228,294 | – | 9,243 | 29,605 | – | – |
| M.Christie (vi) | 210,000 | – | – | 18,810 | – | 29,376 |

(i) "Resolute" in this instance means the Group excluding any amounts received or receivable in remuneration from Valhalla Uranium Ltd ("Valhalla"), an 83.3% owned listed subsidiary of Resolute Mining Limited incorporated on 23 September 2005 and subsequently disposed of on 11 September 2006.

(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) This cash bonus was granted on 11 December 2006 and in conjunction with the superannuation thereon represents 9% of P. Sullivan's total remuneration. The Remuneration and Nomination Committee approved the amount based upon the successful outcome of a number of key business decisions.

(iv) This cash bonus was granted on 11 December 2006 and represents 6% of D. Cairns's total remuneration. The Remuneration and Nomination Committee approved the amount based upon the successful execution of a temporary increase in responsibilities and volume of work in excess of what would reasonably be expected of the individual's employment terms.

(v) This cash bonus was granted on 11 December 2006 and represents 6% of G. Fitzgerald's total remuneration. The Remuneration and Nomination Committee approved the amount based upon the successful execution of a temporary increase in responsibilities and volume of work in excess of what would reasonably be expected of the individual's employment terms.

(vi) There were no options granted to directors or the officers of the company in the 2007 financial year. The amount in share based payments represents the portion of options granted in the prior year which have vested in the current year. This represents 9% (2006: 11%) of M. Christie's total remuneration.

Details of options holdings of key management personnel are as follows:

| 2007 | BALANCE AT THE START OF THE YEAR | EXERCISED DURING THE YEAR | GRANTED DURING THE YEAR AS COMPENSATION | BALANCE AT THE END OF THE YEAR | VESTED AND EXERCISABLE AT THE END OF THE YEAR | FAIR VALUE OF OPTIONS AT EXERCISE DATE $ |
|---|---|---|---|---|---|---|
| **Directors** | | | | | | |
| P.Huston | – | – | – | – | – | – |
| P.Sullivan (i) | 2,000,000 | (2,000,000) | – | – | – | 2,470,000 |
| T.Ford | – | – | – | – | – | – |
| H.Price | – | – | – | – | – | – |
| **Officers** | | | | | | |
| M.Turner | – | – | – | – | – | – |
| D.Cairns (iv) | 300,000 | – | – | 300,000 | 300,000 | – |
| G.Fitzgerald (ii) | 270,000 | (20,000) | – | 250,000 | 250,000 | 25,000 |
| M.Christie (iii) | 300,000 | – | – | 300,000 | 300,000 | – |

| 2006 | BALANCE AT THE START OF THE YEAR | EXERCISED DURING THE YEAR | GRANTED DURING THE YEAR AS COMPENSATION | BALANCE AT THE END OF THE YEAR | VESTED AND EXERCISABLE AT THE END OF THE YEAR | FAIR VALUE OF OPTIONS AT EXERCISE DATE $ |
|---|---|---|---|---|---|---|
| **Directors** | | | | | | |
| P.Huston | – | – | – | – | – | – |
| P.Sullivan | 2,000,000 | – | – | 2,000,000 | 2,000,000 | – |
| T.Ford | – | – | – | – | – | – |
| H.Price | – | – | – | – | – | – |
| **Officers** | | | | | | |
| M.Turner (v) | 300,000 | (300,000) | – | – | – | 250,500 |
| D.Cairns | 300,000 | – | – | 300,000 | 300,000 | – |
| G.Fitzgerald | 270,000 | – | – | 270,000 | 270,000 | – |
| M.Christie | 300,000 | – | – | 300,000 | 200,000 | – |

(i) The options were granted on 11 December 2001. The fair value of the options at grant date was $0.04 per option. The total fair value of the options granted was $84,000. The exercise price of the options was $0.42 per option.
(ii) The options were granted on 20 September 2002. The fair value of the options at grant date was $0.11 per option. The total fair value of the options granted was $29,700. The exercise price of the options was $0.81 per option. On 17 September 2007, a further 250,000 were exercised at a price of $0.81 per option. These options were due to expire on 19 September 2007.
(iii) 100,000 options vested and became exercisable on 21 June 2007. These options were granted on 21 December 2004 with 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.
(iv) On 9 August 2007, 300,000 options were exercised at a price of $0.81 per option. These options were due to expire on 19 September 2007.
(v) The options were granted on 20 September 2002. The fair value of the options at grant date was $0.11 per option. The total fair value of the options granted was $33,000. The exercise price of the options was $0.81 per option.
(vi) No key management personnel options were granted or lapsed during the year.

Details of share holdings of key management personnel are as follows:

| 2007 | BALANCE AT THE START OF THE YEAR | RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS | OTHER CHANGES DURING THE YEAR (i) | BALANCE AT THE END OF THE YEAR |
|---|---|---|---|---|
| **Directors** | | | | |
| P.Huston | 301,066 | – | – | 301,066 |
| P.Sullivan | 822,000 | 2,000,000 | (200,000) | 2,622,000 |
| T.Ford | 3,000 | – | – | 3,000 |
| H.Price | 10,000 | – | – | 10,000 |
| **Officers** | | | | |
| M.Turner | – | – | – | – |
| D.Cairns | 42,000 | – | – | 42,000 |
| G.Fitzgerald | – | 20,000 | (20,000) | – |
| M.Christie | 30,000 | – | – | 30,000 |

| 2006 | 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 | 1,066 | – | 300,000 | 301,066 |
| P.Sullivan | 822,000 | – | – | 822,000 |
| T.Ford | 3,000 | – | – | 3,000 |
| H.Price | 10,000 | – | – | 10,000 |
| **Officers** | | | | |
| M.Turner | – | 300,000 | (300,000) | – |
| D.Cairns | 42,000 | – | – | 42,000 |
| G.Fitzgerald | – | – | – | – |
| M.Christie | – | – | 30,000 | 30,000 |

(i) These shares were acquired or sold at the prevailing market price, no amounts remain unpaid as at 30 June 2007.

### 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 respective position and thus terminate his contract by giving 1 month written notice.
- The Company may terminate his employment agreement by providing 1 month written notice or provide payment in lieu of the notice period (based on the fixed component of remuneration).

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

- Mr Turner may resign from his respective position and thus terminate his contract by giving 1 month written notice.
- The Company may terminate his employment agreement by providing 1 month written notice or provide payment in lieu of the notice period (based on the fixed component of remuneration).

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

- Mr Christie may resign from his respective position and thus terminate his contract by giving 1 month written notice.
- The Company may terminate this employment agreement by providing 1 month written notice or provide payment in lieu of the notice period (based on the fixed component of Mr Christie's remuneration). On termination, the Company must pay 2 weeks of salary for each of the first three years of completed service, 1 week of salary for each complete year of service after 3 years and pro-rata long service leave in respect of any employment with the Company exceeding 3 complete years.

This is the end of the audited information.

## SHARES UNDER OPTIONS

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

Shares issued as a result of the exercise of options:

| DATE OPTIONS GRANTED | EXPIRY DATE | ISSUE PRICE OF SHARES | NUMBER UNDER OPTION |
|---|---|---|---|
| | | $ | |
| 20 September 2002 | 19 September 2007 | 0.81 | 787,500 |
| 21 December 2004 | 21 December 2009 | 1.57 | 475,000 |
| 24 March 2006 | 23 March 2011 | 1.28 | 405,000 |
| 25 October 2006 | 24 October 2011 | 1.48 | 570,000 |

During the financial year, employees and executives have exercised options to acquire 2,110,500 fully paid ordinary shares in Resolute Mining Limited at a weighted average exercise price of $0.46 per share.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the Company paid an insurance premium of $57,499 (2006: $53,240) 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 AND COMMUNITY DEVELOPMENT | REMUNERATION AND NOMINATION | SAFETY, SECURITY & OCCUPATIONAL HEALTH | FINANCIAL RISK MANAGEMENT |
|---|---|---|---|---|---|---|
| P.Huston | 18 | 2 | n/a | 3 | n/a | n/a |
| P.Sullivan | 18 | n/a | 4 | n/a | 4 | 18 |
| T.Ford | 18 | 2 | n/a | 3 | n/a | n/a |
| H.Price (i) | 18 | 2 | n/a | 1 | n/a | n/a |
| **Number of meetings held** | **18** | **2** | **4** | **3** | **4** | **18** |

(i) Mr Price was appointed to the Remuneration and Nomination Committee on 11 December 2006 and he attended 100% of meetings whilst he was a Committee member.

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

## 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.

## AUDITORS INDEPENDENCE

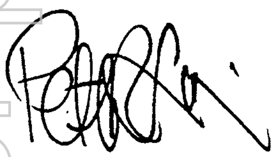
Refer to page 47 for a copy of Auditor's Independence Declaration to the Directors of Resolute Mining Limited.

## NON-AUDIT SERVICES

The following non-audit services were provided by the Group'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 received or are due to receive $232,526 for the provision of taxation planning and review services. They are due to receive $209,651 for the provision of audit services.

Signed in accordance with a resolution of the directors.



P.R. Sullivan
Director

Perth, Western Australia
28 September 2007

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 "Principles of Good Corporate Governance and Best Practice Recommendations" established by the ASX Corporate Governance Council and published by the ASX in March 2003. 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

In accordance with ASX Principle 1, 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.

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

| 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.

## 2. DIRECTOR INDEPENDENCE

As outlined in ASX Principle 2, 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 2007 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 can be found in the Committee's charter which is posted on the Company website.

## 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.

## 5. SECURITIES TRADING

The Board has adopted the "Dealings in Resolute Mining Limited Shares and Options" 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 Company shares or options;
- Advise, procure or encourage another person (for example, a family member, a friend, a family Company or trust) to buy or sell Company shares or options; 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 shares or options.

## 6. CORPORATE REPORTING

In accordance with ASX Principle 4, 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 2007 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 2007.

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.

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

In accordance with ASX Principle 6, 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

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

ERNST & YOUNG

The Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000
Australia

GPO Box M939
Perth WA 6843

Tel 61 8 9429 2222
Fax 61 8 9429 2436

**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 2007, 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.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin A Buckingham
Partner
Perth
28 September 2007

GAB:KT:RESOLUTE:108

| | NOTE | CONSOLIDATED 07 $'000 | CONSOLIDATED 06 $'000 | RESOLUTE MINING LIMITED 07 $'000 | RESOLUTE MINING LIMITED 06 $'000 |
|---|---|---|---|---|---|
| **Continuing Operations** | | | | | |
| Revenue from gold sales | 2(a) | 185,297 | 194,393 | – | – |
| Other revenue | 2(b) | 6,851 | 3,172 | 130 | 81 |
| Cost of sales | 2(c) | (187,903) | (172,293) | – | – |
| **Gross profit** | | **4,245** | **25,272** | **130** | **81** |
| Other income | 2(d) | 184,388 | 538 | 163,412 | 1,000 |
| Other expenses | 2(e) | (15,924) | (11,803) | (4,771) | (2,172) |
| **Profit/(loss) from continuing operations before unrealised treasury, tax and finance costs** | | **172,709** | **14,007** | **158,771** | **(1,091)** |
| Borrowing costs | 2(f) | (1,318) | (2,497) | (249) | (1,146) |
| **Profit/(loss) before unrealised treasury and tax** | | **171,391** | **11,510** | **158,522** | **(2,237)** |
| Treasury – unrealised gains/(losses) | | 7,945 | (114,460) | – | – |
| **Profit/(loss) before tax** | | **179,336** | **(102,950)** | **158,522** | **(2,237)** |
| Income tax (expense)/benefit | 3 | (9,340) | 25,390 | 65 | 258 |
| **Profit/(loss) from continuing operations after income tax** | | **169,996** | **(77,560)** | **158,587** | **(1,979)** |
| Net loss attributable to minority interest | | 174 | 128 | – | – |
| **Net profit/(loss) attributable to members of Resolute Mining Limited** | | **170,170** | **(77,432)** | **158,587** | **(1,979)** |
| **Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity shareholders of the Company:** | | | | | |
| Basic earnings per share for profit/(loss) for the year (cents per share) | 44 | 73.91 | (33.87) | | |
| Diluted earnings per share for profit/(loss) for the year (cents per share) | 44 | 73.55 | (33.87) | | |

The above income statements should be read in conjunction with the accompanying notes.

# BALANCE SHEETS
as at 30 June 2007



| | NOTE | CONSOLIDATED 07 $'000 | CONSOLIDATED 06 $'000 | RESOLUTE MINING LIMITED 07 $'000 | RESOLUTE MINING LIMITED 06 $'000 |
|---|---|---|---|---|---|
| **Current Assets** | | | | | |
| Cash and cash equivalents | 5 | 67,661 | 13,992 | 1,460 | – |
| Receivables | 6 | 16,358 | 10,859 | 21 | 7,506 |
| Inventories | 7 | 31,834 | 29,902 | – | – |
| Available for sale financial assets | 8 | 13,480 | 29,543 | 886 | 1,040 |
| Financial derivative assets | 9 | 205 | 465 | – | – |
| Deferred expenditure | 10 | 4,701 | 21,821 | – | – |
| Other | 11 | 23,674 | 1,860 | 65 | – |
| **Total Current Assets** | | **157,913** | **108,442** | **2,432** | **8,546** |
| **Non Current Assets** | | | | | |
| Receivables | 12 | – | – | 274,329 | 28,558 |
| Financial derivative assets | 13 | 300 | 4,876 | – | – |
| Exploration and evaluation | 14 | 63,105 | 56,456 | – | – |
| Development expenditure | 15 | 54,841 | 14,633 | – | – |
| Property, plant and equipment | 16 | 100,365 | 80,108 | – | – |
| Deferred expenditure | 17 | 21,537 | 21,199 | – | – |
| Deferred tax assets | 3 | 7,439 | 15,411 | – | – |
| Other | 18 | 6,310 | – | 76,803 | 116,804 |
| **Total Non Current Assets** | | **253,897** | **192,683** | **351,132** | **145,362** |
| **Total Assets** | | **411,810** | **301,125** | **353,564** | **153,908** |
| **Current Liabilities** | | | | | |
| Payables | 19 | 34,908 | 30,093 | 209 | 272 |
| Interest bearing liabilities | 20 | 3,367 | 10,839 | – | 7,854 |
| Tax liabilities | 21 | 5,069 | 10 | – | – |
| Financial derivative liabilities | 22 | 32,702 | 71,847 | – | – |
| Provisions | 23 | 4,414 | 3,717 | – | – |
| **Total Current Liabilities** | | **80,460** | **116,506** | **209** | **8,126** |
| **Non Current Liabilities** | | | | | |
| Interest bearing liabilities | 24 | 4,330 | 12,797 | – | – |
| Provisions | 25 | 21,021 | 24,006 | – | – |
| Financial derivative liabilities | 26 | 39,690 | 64,058 | – | – |
| Other liabilities | 27 | – | – | 83,456 | 35,583 |
| Deferred tax liabilities | 3 | 1,673 | 103 | – | – |
| **Total Non Current Liabilities** | | **66,714** | **100,964** | **83,456** | **35,583** |
| **Total Liabilities** | | **147,174** | **217,470** | **83,665** | **43,709** |
| **Net Assets** | | **264,636** | **83,655** | **269,899** | **110,199** |
| **Equity** | | | | | |
| Contributed equity | 28 | 113,917 | 112,955 | 113,917 | 112,955 |
| Reserves | 29 | (1,936) | (5,037) | 754 | 603 |
| Retained profits/(accumulated losses) | 30 | 150,239 | (26,695) | 155,228 | (3,359) |
| Parent entity interest in equity | | **262,220** | **81,223** | **269,899** | **110,199** |
| Minority interest | 31 | **2,416** | **2,432** | **–** | **–** |
| **Total Equity** | | **264,636** | **83,655** | **269,899** | **110,199** |

The above balance sheets should be read in conjunction with the accompanying notes.

# STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2007





| Consolidated | ISSUED CAPITAL $'000 | RETAINED EARNINGS $'000 | FOREIGN CURRENCY TRANSLATION RESERVE $'000 | HEDGE RESERVE PUT OPTIONS GAIN/(LOSS) $'000 |
|---|---|---|---|---|
| **As at 1 July 2006** | 112,955 | (26,695) | (4,778) | (1,950) |
| Currency translation differences | – | – | (16,318) | – |
| Hedge reserve put options, net of tax | – | – | – | 1,233 |
| Hedge reserve forwards, net of tax | – | – | – | – |
| Hedge reserve unearned income, net of tax | – | – | – | – |
| Unrealised gains/(losses) reserve, net of tax | – | – | – | – |
| Total income/(expense) for the period recognised directly in equity | – | – | (16,318) | 1,233 |
| Profit/(loss) for the period | – | 170,170 | – | – |
| Total income and expense for the period | – | 170,170 | (16,318) | 1,233 |
| Exercise of options | 968 | – | – | – |
| Share issue costs | (6) | – | – | – |
| Share option reserve | – | – | – | – |
| Transfer to retained earnings on disposal of subsidiary | – | 6,764 | – | – |
| Minority interest movement in share capital | – | – | – | – |
| Minority interest movement in reserves | – | – | – | – |
| Minority interest movement in retained profits | – | – | – | – |
| Total other for the period recognised directly in equity | 962 | 6,764 | – | – |
| **As at 30 June 2007** | **113,917** | **150,239** | **(21,096)** | **(717)** |
| **As at 1 July 2005** | 112,483 | 50,737 | (3,757) | (4,834) |
| Currency translation differences | – | – | (1,021) | – |
| Hedge reserve put options, net of tax | – | – | – | 2,884 |
| Hedge reserve forwards, net of tax | – | – | – | – |
| Hedge reserve unearned income, net of tax | – | – | – | – |
| Unrealised gains/(losses) reserve, net of tax | – | – | – | – |
| Total income/(expense) for the period recognised directly in equity | – | – | (1,021) | 2,884 |
| Loss for the period | – | (77,432) | – | – |
| Total income and expense for the period | – | (77,432) | (1,021) | 2,884 |
| Exercise of options | 480 | – | – | – |
| Share issue costs | (8) | – | – | – |
| Share option reserve | – | – | – | – |
| Equity reserve on subsidiary | – | – | – | – |
| Minority interest movement in share capital | – | – | – | – |
| Minority interest movement in reserves | – | – | – | – |
| Minority interest movement in retained profits | – | – | – | – |
| Total other for the period recognised directly in equity | 472 | – | – | – |
| **As at 30 June 2006** | **112,955** | **(26,695)** | **(4,778)** | **(1,950)** |

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

| HEDGE RESERVE FORWARDS GAIN/(LOSS) $'000 | HEDGE RESERVE UNEARNED INCOME $'000 | SHARE BASED PAYMENTS RESERVE $'000 | UNREALISED GAIN/(LOSS) RESERVE $'000 | EQUITY RESERVE $'000 | MINORITY INTEREST $'000 | TOTAL EQUITY $'000 |
|---:|---:|---:|---:|---:|---:|---:|
| (22,505) | 5,398 | 366 | 11,668 | 6,764 | 2,432 | 83,655 |
| – | – | – | – | – | – | (16,318) |
| – | – | – | – | – | – | 1,233 |
| 36,156 | – | – | – | – | – | 36,156 |
| – | (5,398) | – | – | – | – | (5,398) |
| – | – | – | (6,069) | – | – | (6,069) |
| 36,156 | (5,398) | – | (6,069) | – | – | 9,604 |
| – | – | – | – | – | (174) | 169,996 |
| 36,156 | (5,398) | – | (6,069) | – | (174) | 179,600 |
| – | – | – | – | – | – | 968 |
| – | – | – | – | – | – | (6) |
| – | – | 261 | – | – | – | 261 |
| – | – | – | – | (6,764) | – | – |
| – | – | – | – | – | (1,227) | (1,227) |
| – | – | – | – | – | 1,304 | 1,304 |
| – | – | – | – | – | 81 | 81 |
| – | – | 261 | – | (6,764) | 158 | 1,381 |
| **13,651** | **–** | **627** | **5,599** | **–** | **2,416** | **264,636** |
| (18,083) | 9,637 | 268 | 2,022 | – | 1,255 | 149,728 |
| – | – | – | – | – | – | (1,021) |
| – | – | – | – | – | – | 2,884 |
| (4,422) | – | – | – | – | – | (4,422) |
| – | (4,239) | – | – | – | – | (4,239) |
| – | – | – | 9,646 | – | – | 9,646 |
| (4,422) | (4,239) | – | 9,646 | – | – | 2,848 |
| – | – | – | – | – | (128) | (77,560) |
| (4,422) | (4,239) | – | 9,646 | – | (128) | (74,712) |
| – | – | – | – | – | – | 480 |
| – | – | – | – | – | – | (8) |
| – | – | 98 | – | – | – | 98 |
| – | – | – | – | 6,764 | – | 6,764 |
| – | – | – | – | – | 1,227 | 1,227 |
| – | – | – | – | – | 306 | 306 |
| – | – | – | – | – | (228) | (228) |
| – | – | 98 | – | 6,764 | 1,305 | 8,639 |
| **(22,505)** | **5,398** | **366** | **11,668** | **6,764** | **2,432** | **83,655** |

| Resolute Mining Limited | ISSUED CAPITAL $'000 | RETAINED EARNINGS $'000 | SHARE BASED PAYMENTS RESERVE $'000 | UNREALISED GAIN/(LOSS) RESERVE $'000 | TOTAL EQUITY $'000 |
|---|---|---|---|---|---|
| **As at 1 July 2006** | 112,955 | (3,359) | 366 | 237 | 110,199 |
| Unrealised gains/(losses) reserve, net of tax | – | – | – | (110) | (110) |
| Total income/(expense) for the period recognised directly in equity | – | – | – | (110) | (110) |
| Profit for the period | – | 158,587 | – | – | 158,587 |
| Total income and expense for the period | – | 158,587 | – | (110) | 158,477 |
| Exercise of options | 968 | – | – | – | 968 |
| Share issue costs | (6) | – | – | – | (6) |
| Share option reserve | – | – | 261 | – | 261 |
| Total other for the period recognised directly in equity | 962 | – | 261 | – | 1,223 |
| **As at 30 June 2007** | **113,917** | **155,228** | **627** | **127** | **269,899** |
| | | | | | |
| **As at 1 July 2005** | 112,483 | (1,521) | 268 | (210) | 111,020 |
| Unrealised gains/(losses) reserve, net of tax | – | – | – | 447 | 447 |
| Total income/(expense) for the period recognised directly in equity | – | – | – | 447 | 447 |
| Loss for the period | – | (1,979) | – | – | (1,979) |
| Total income and expense for the period | – | (1,979) | – | 447 | (1,532) |
| Exercise of options | 480 | – | – | – | 480 |
| Share issue costs | (8) | – | – | – | (8) |
| Share option reserve | – | – | 98 | – | 98 |
| Total other for the period recognised directly in equity | 472 | – | 98 | – | 570 |
| Adjustment on adoption of AASB 139 | – | 141 | – | – | 141 |
| **As at 30 June 2006** | **112,955** | **(3,359)** | **366** | **237** | **110,199** |

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

# CASH FLOW STATEMENTS

for the year ended 30 June 2007

| | NOTE | CONSOLIDATED 07 $'000 | CONSOLIDATED 06 $'000 | RESOLUTE MINING LIMITED 07 $'000 | RESOLUTE MINING LIMITED 06 $'000 |
|---|---|---|---|---|---|
| **Cash Flows from Operating Activities** | | | | | |
| Receipts from customers | | 179,370 | 182,896 | – | – |
| Payments to suppliers and employees | | (166,385) | (175,104) | (2,264) | (1,864) |
| Interest received | | 4,470 | 996 | 67 | – |
| Interest and other costs of finance paid | | (907) | (1,586) | (682) | (1,002) |
| Income taxes paid | | – | (1,914) | – | – |
| Net operating cash flows | 32 | **16,548** | **5,288** | **(2,879)** | **(2,866)** |
| **Cash Flows from Investing Activities** | | | | | |
| Expenditure on exploration and development areas | | (110,442) | (19,807) | – | – |
| Payment for property, plant and equipment | | (22,366) | (7,064) | – | – |
| Payments for available for sale financial assets | | (4,655) | (3,044) | – | – |
| Proceeds from sale of property, plant and equipment | | 143 | 88 | – | – |
| Royalties received | | 2,162 | 846 | – | – |
| Proceeds from sale of available for sale financial assets | | 199,499 | – | 170,525 | – |
| Cash outflow on disposal of subsidiary | 35 | (4,096) | – | – | – |
| Proceeds on sale of exploration properties | | – | 250 | – | – |
| Loan to controlled entities | | – | – | (176,545) | (5,566) |
| Loans repaid by controlled entities | | – | – | 24,397 | 15,960 |
| Net investing cash flows | | **60,245** | **(28,731)** | **18,377** | **10,394** |
| **Cash Flows from Financing Activities** | | | | | |
| Proceeds from issues of securities | | 968 | 8,472 | 968 | 480 |
| Cost of issuing securities | | (6) | (8) | (6) | (8) |
| Proceeds from borrowings | | 12,580 | 306 | – | – |
| Repayment of borrowings | | (26,569) | (8,156) | (15,000) | (8,000) |
| Repayment of lease liability | | (1,554) | (275) | – | – |
| Net financing cash flows | | **(14,581)** | **339** | **(14,038)** | **(7,528)** |
| Net increase/(decrease) in cash held | | 62,212 | (23,104) | 1,460 | – |
| Cash assets held at the beginning of the year | | 13,992 | 36,144 | – | – |
| Exchange rate adjustment | | (8,543) | 952 | – | – |
| Cash assets held at the end of the year | 5 | **67,661** | **13,992** | **1,460** | **–** |

The above statement of cash flows should be read in conjunction with the accompanying notes.

## CORPORATE INFORMATION

The financial report of Resolute Mining Limited ("consolidated entity" or the "Group") for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 28 September 2007.

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

The nature of operations and principal activities of the Group are described in the Directors' Report.

## NOTE 1: 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 separate financial statements for Resolute Mining Limited ("RML") as an individual entity and the consolidated entity consisting of RML and its subsidiaries.

### (a) Basis of Preparation and Going Concern

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (AASB), other authoritative pronouncements of the AASB, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

***Compliance with IFRS***

Australian Accounting Standards include Australian International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Presentation and Disclosure.*

***Historical cost convention***

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

***Going Concern***

As at 31 August 2007, the Group's estimated committed capital expenditure requirements in connection with the redevelopment of the Syama Gold Mine in Mali of approximately US$42 million are in excess of the Group's cash and bullion on hand of approximately A$35 million (or US$28 million). In addition, the Group plans to enter into further commitments for capital expenditure as the redevelopment progresses.

The majority of the committed capital expenditure is expected to be incurred prior to 31 December 2007.

Notwithstanding this matter, management and the directors are satisfied the Group can continue on a going concern basis after having regard to the following mitigating factors:

(i) Management expects to receive approximately US$33 million in cash from the mining contractors at its Syama and Golden Pride operations, representing the reimbursement of monies spent by the Group in connection with the acquisition of mining equipment to be used by the contractors.

These monies are expected to be received in October 2007 once mining contracts have been finalised and signed with the respective mining contractors.

To facilitate the reimbursement of monies to the Group, RML have 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 outstanding amounts borrowed under a loan facility to acquire the mining equipment.

(ii) The Group intends to raise additional funds via a capital raising to be undertaken in the short term.

### (b) Principles of consolidation

***(i) Subsidiaries***

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of RML ("Company" or "parent entity") as at 30 June 2007 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".

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement.

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

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

Investments in subsidiaries are accounted for at cost in the individual financial statements of RML.

*(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

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

## (d) Foreign currency translation

*(i) Functional and presentation currency*

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

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

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 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. Adjustments are made for variations in commodity price, assay and weight between the time of dispatch and the time of final settlement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

*(ii) Interest*

Interest revenue is recognised when control of the right to receive the interest payment is received.

**(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 finance 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 balance sheet 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.

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 balance sheet 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 Balance Sheets.

Cash flows are included in the Cash Flow Statements 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

- Costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and,
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

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

### (i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held at financial institutions at call. Any bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

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

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 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.

#### *(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 or if so designated by management. 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 balance sheet 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 balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

#### *(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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### *(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 balance sheet 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 income statement 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 income statement as gains and losses from investment securities.

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 income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

## (m) 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.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured 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 balance sheet 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.

### *(i) Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, 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 income statement.

Amounts accumulated in equity are recycled in the income statement 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 income statement. 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 income statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

*(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 income statement.

Interest rate swaps utilised to manage interest rate exposure are fair valued by reference to the market value of similar financial instruments with movements reported in the income statement where fair value hedge accounting criteria is not met.

Embedded derivatives inherent in the Group's contracts that change the nature of a host contract's risk are separately recorded at fair value with movements reported in the income statement.

## (n) Deferred mining costs

Periodically, pre-strip and waste removal costs are incurred to enable mining of a new resource or a substantial re-design of a current pit. These pre-strip costs are deferred and amortised over the remaining life of the particular pit in accordance with the life of the pit strip ratio.

## (o) Mineral exploration and development interests

*(i) Areas in Exploration and Evaluation*

Exploration and evaluation costs related to an area of interest are carried forward only when rights of tenure to the area of interest are current and provided that one of the following conditions is met:

- Such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- exploration and/or evaluation activities in the area of interest have 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 that is abandoned are written off in the year in which the decision to abandon is made.

*(ii) Areas in Development*

Areas in development represent the costs incurred in preparing mines for production. 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.

*(iii) Areas in Production*

Areas in production represent the accumulation of all exploration, evaluation and development expenditure incurred by or on behalf of the entity in relation to areas of interest in which mining of a mineral resource 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 resources.

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.

## (p) Property, plant and equipment

*(i) Cost and Valuation*

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

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 | 6 years | straight line |

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

*(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.

### (q) 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 income statement over the lease term.

### (r) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as exploration and evaluation costs in the balance sheet. If the cost of acquisition is less than the fair value of the net assets, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

*Business combinations*

In applying the exemption available under AASB 1, the Group has elected not to restate its business combinations that occurred prior to transition date on 1 July 2004 for the impact of AASB 3 *Business Combinations*.

### (s) 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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### (t) 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.

### (u) 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 income statement when the liabilities are derecognised and as well as through the amortisation process. Treatment of borrowing costs is outlined in note 1(f).

### (v) 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 finance 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.

The unwinding of the effect of discounting on the provision is recorded as a finance cost in the income statement. The carrying amount capitalised is depreciated over the life of the related asset.

### (w) 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.

#### *(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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

*(iv) Share based payments*

Equity-based compensation benefits are provided to employees via the Group's share option plan. Under AASB 2 *Share Based Payments*, 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 income statement over the vesting period with a corresponding increase in equity.

The Group has taken advantage of the exemption in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* not to apply AASB 2 to equities vested prior to 7 November 2002.

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 balance sheet 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 income statement in the period employees' services are provided.

**(x) 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. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

**(y) Financial Guarantees**

For financial guarantee contract liabilities, the fair value at initial recognition is determined using a probability weighted discounted cash flow approach. The method takes into account the probability of default by the guaranteed part over the term of the contract, the loss given will default (being the proportion of the exposure that is not expected to be recovered in the event of default) and the exposure at default (being the maximum loss at the time of default).

*Change in accounting policy*

The policy of recognising financial guarantee contracts as financial liabilities was adopted for the first time in the financial year ended 30 June 2007. In previous reporting periods, a liability for financial guarantee contracts was only recognised if it was probable that the debtor would default and a payment would be required under the contract.

The change in policy was necessary following the change to AASB 139 *Financial Instruments: Recognition and Measurement* made by *AASB 2005-9*. The new policy has been applied retrospectively and comparative information in relation to the 2006 financial year has been restated accordingly. The following adjustments were made as at 30 June 2006:

*Parent Entity*

| | 30 JUNE 2006 | INCREASE/ (DECREASE) | REVISED 30 JUNE 2006 |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| Investments in controlled entities | 116,388 | 416 | 116,804 |
| Other financial liabilities | – | (194) | (194) |
| Retained earnings 2006 | (2,060) | 81 | (1,979) |
| Retained earnings (prior periods) | (1,521) | 141 | (1,380) |

There was no impact on the consolidated financial statements of the Group or the earnings per share disclosed.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### (z) 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:

#### *(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.

### (aa) 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 exploration and evaluation expenditure*

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of reserves and 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 exploration and evaluation 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.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

#### *(ii) 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.

#### *(iii) 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.

#### *(iv) 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

***(v) 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.

***(vi) 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 40(b).

***(vii) 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(m). 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 and the hedging reserve in the period in which they change or become known.

**(ab) New accounting standards and UIG interpretations**

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 2007, and no change to the Group's accounting policy is required:

| REFERENCE | TITLE | SUMMARY | APPLICATION DATE OF STANDARD | IMPACT ON GROUP FINANCIAL REPORT | APPLICATION DATE FOR GROUP |
|---|---|---|---|---|---|
| AASB 2005-10 | *Amendments to Australian Accounting Standards* [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038] | Amendments arise from the release in Aug 05 of AASB 7 Financial Instruments Disclosures. | 1 January 2007 | AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. | 1 July 2007 |
| AASB 2007-3 | *Amendments to Australian Accounting Standards* arising from AASB 8 [AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] | Amending standard issued as a consequence of AASB 8 Operating Segments. | 1 January 2009 | AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. | 1 July 2009 |
| AASB 2007-4 | *Amendments to Australian Accounting Standards* arising from ED 151 and Other Amendments | The standard is a result of the AASB decision that all accounting policy options currently existing in IFRS should be included in the Australian equivalents to IFRS and the additional Australian disclosures should be eliminated, other than those considered particularly relevant. | 1 July 2007 | Changes to the disclosure standard will have no direct impact on the amounts included in the Group's financial statements. | 1 July 2007 |
| AASB 2007-7 | *Amendments to Australian Accounting Standards* [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128] | Amending standard issued as a consequence of AASB 2007-4. | 1 July 2007 | Refer to AASB 2007-4 above. | 1 July 2007 |

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

| REFERENCE | TITLE | SUMMARY | APPLICATION DATE OF STANDARD | IMPACT ON GROUP FINANCIAL REPORT | APPLICATION DATE FOR GROUP |
|---|---|---|---|---|---|
| AASB 101 (revised October 2006) | *Presentation of Financial Statements* | Disclosures and guidance from the previous GAAP are not carried forward in the October 2006 version of AASB 101. | 1 January 2007 | Changes to the disclosure standard will have no direct impact on the amounts included in the Group's financial statements. | 1 July 2007 |
| UIG 9 | *Reassessment of Embedded Derivatives* | Clarifies that an entity reassesses whether an embedded derivative contained in a host contract must be separated from the host and accounted for as a derivative under AASB 139 only when there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required. | 1 June 2006 | Unless the Group enters in arrangements containing embedded derivatives in future reporting periods, these amendments are not expected to have any impact. | 1 July 2007 |
| AASB 8 | *Operating Segments* | New standard replacing AASB 114. | 1 January 2009 | Refer to 2007-3 above. | 1 July 2009 |
| AASB 7 | *Financial Instruments Disclosure* | New standard replacing disclosure requirements from AASB 132. | 1 January 2007 | Refer to 2005-10 above. | 1 July 2007 |

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

- AASB 2007-2 – *Amendments to Australian Accounting Standards* arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]
- AASB 2007-6 – *Amendments to Australian Accounting Standards* arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]
- AASB 123 (revised June 2007) – *Borrowing Costs*
- AASB Interpretation 10 – *Interim Financial Reporting and Impairment*
- AASB Interpretation 11 – *Group and Treasury Share Transactions*
- AASB Interpretation 12 – *Service Concession Arrangements*
- AASB Interpretation 129 (revised June 2007) – *Service Concession Arrangements: Disclosures*
- IFRIC Interpretation 13 – *Customer Loyalty Programmes*
- IFRIC Interpretation 14 – IAS 19 – *The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements.*

| | CONSOLIDATED 07 $'000 | CONSOLIDATED 06 $'000 | RESOLUTE MINING LIMITED 07 $'000 | RESOLUTE MINING LIMITED 06 $'000 |
|---|---|---|---|---|
| **NOTE 2: PROFIT/(LOSS) FROM CONTINUING OPERATIONS** | | | | |
| **(a) Revenues from gold sales** | | | | |
| Gold sales | 185,297 | 194,393 | – | – |
| | **185,297** | **194,393** | **–** | **–** |
| **(b) Other revenue** | | | | |
| Royalty income | 2,243 | 2,161 | – | – |
| Interest income – other persons/corporations | 4,608 | 1,011 | 69 | – |
| Other | – | – | 61 | 81 |
| | **6,851** | **3,172** | **130** | **81** |
| **(c) Cost of sales** | | | | |
| Cost of production | 165,388 | 148,862 | – | – |
| Amortisation of exploration, development & rehabilitation costs | 3,511 | 3,983 | – | – |
| Depreciation of mine properties, plant & equipment | 11,129 | 11,545 | – | – |
| Royalty | 6,406 | 6,251 | – | – |
| Operational support costs | 1,469 | 1,652 | – | – |
| Total cost of sales | **187,903** | **172,293** | **–** | **–** |
| **(d) Other income** | | | | |
| Profit on sale of plant and equipment | – | 81 | – | – |
| Profit on sale of available for sale financial assets | 25,679 | – | – | 1,000 |
| Profit on sale of subsidiary | 154,414 | – | 132,225 | – |
| Net write off of loans to/from controlled entities | – | – | 31,187 | – |
| Foreign exchange gain | – | 126 | – | – |
| Other income | 243 | 331 | – | – |
| Realised gain on gold options | 4,052 | – | – | – |
| Total other income | **184,388** | **538** | **163,412** | **1,000** |
| **(e) Other expenses from ordinary activities** | | | | |
| Management and administration expenses | 4,415 | 3,807 | 2,504 | 1,818 |
| Foreign exchange loss | 7,710 | – | 1,700 | – |
| Insurance costs | 465 | 491 | 53 | 98 |
| Loss on sale of plant and equipment | 19 | – | – | – |
| Operating lease expense | 514 | 319 | – | – |
| Write down of mineral exploration and development costs | 968 | 221 | 144 | – |
| Depreciation of non mine site assets | 153 | 108 | – | – |
| Realised loss on gold options | – | 6,601 | – | – |
| Realised loss on net settlement of gold forward sales contracts | 722 | – | – | – |
| Realised loss on gold loan | 588 | – | – | – |
| Share based payment expense | 370 | 256 | 370 | 256 |
| Total other expenses from ordinary activities | **15,924** | **11,803** | **4,771** | **2,172** |
| **(f) Borrowing costs** | | | | |
| Interest and fees paid/payable to other entities | 907 | 2,067 | 249 | 1,146 |
| Rehabilitation provision discount adjustment | 411 | 430 | – | – |
| Total borrowing costs | **1,318** | **2,497** | **249** | **1,146** |
| **(g) Employee benefit expense** | | | | |
| Salaries | 23,009 | 19,891 | – | – |
| Superannuation | 438 | 348 | – | – |
| Share based payment expense | 370 | 256 | 370 | 256 |
| | **23,817** | **20,495** | **370** | **256** |

| | CONSOLIDATED | | RESOLUTE MINING LIMITED | |
|---|---|---|---|---|
| | 07 | 06 | 07 | 06 |
| | $'000 | $'000 | $'000 | $'000 |

## NOTE 3: INCOME TAX

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

| | | | | |
|---|---|---|---|---|
| Current tax expense | 5,060 | 1,688 | – | – |
| Deferred tax expense/(benefit) | 4,280 | (27,078) | (65) | (258) |
| Income tax expense/(benefit) attributable to profit/(loss) from continuing operations | **9,340** | **(25,390)** | **(65)** | **(258)** |

### (b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax expense/(benefit)

| | | | | |
|---|---|---|---|---|
| Profit/(loss) from continuing operations before income tax expense/(benefit) | 179,336 | (102,950) | 158,522 | (2,237) |
| Prima facie income tax expense/(benefit) at 30% (2006: 30%) | 53,801 | (30,885) | 47,557 | (671) |
| Tax effect of permanent differences: | | | | |
| – derecognition/(recognition) of tax losses previously used to offset deferred tax liabilities | 2,811 | 4,202 | 28 | (136) |
| – recognition of tax losses to offset current year tax expense | (51,267) | (903) | (38,405) | – |
| – tax benefit of investment allowance | (4,332) | (3,702) | – | – |
| – current year losses incurred for which no deferred tax asset has been recognised | 7,256 | 7,910 | – | 873 |
| – effect of different rates of tax on overseas income | 944 | – | – | – |
| – effect of adoption of AASB 132 and AASB 139 | – | (1,975) | – | – |
| – intra Australian tax consolidated group profit on sale of investment | – | – | – | (300) |
| – intra Australian tax consolidated group diminution of investments and loans to subsidiaries | – | – | (9,356) | – |
| – effect of share based payments expense not deductible | 111 | 77 | – | – |
| – prior year over provision | (53) | – | – | – |
| – other | 69 | (114) | 111 | (24) |
| Income tax expense/(benefit) attributable to profit/(loss) from continuing operations | **9,340** | **(25,390)** | **(65)** | **(258)** |

### (c) Amounts recognised directly in equity

| | | | | |
|---|---|---|---|---|
| Amounts debited directly to equity | 5,398 | 4,321 | 65 | 258 |

### (d) Tax losses

| | | | | |
|---|---|---|---|---|
| Unused tax losses for which no deferred tax asset has been recognised (potential tax benefit at 30%) | 118,711 | 107,433 | – | – |

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.

### (e) Unrecognised temporary differences

As at 30 June 2007, aggregate unrecognised temporary differences of $6.3m (2006: $1.4m) are in respect of investments in foreign controlled entities for which no deferred tax liabilities have been recognised for amounts which arise upon translation of their financial statements.

## NOTE 3: INCOME TAX continued

### (f) Movements in the deferred tax assets balance

| | CONSOLIDATED 07 $'000 | CONSOLIDATED 06 $'000 | RESOLUTE MINING LIMITED 07 $'000 | RESOLUTE MINING LIMITED 06 $'000 |
|---|---|---|---|---|
| Balance at the beginning of the year | 15,411 | 1,621 | – | – |
| Change on adoption of AASB 132 and AASB 139 | – | (1,621) | – | – |
| Credited/(charged) to equity | 2,599 | 836 | – | – |
| Credited/(charged) to the income statement | (10,594) | 14,424 | – | – |
| Foreign exchange | 23 | 151 | – | – |
| Balance as at the end of the year | 7,439 | 15,411 | – | – |
| The deferred tax assets balance comprises temporary differences attributable to: | | | | |
| Payables | – | 244 | – | – |
| Lease liabilities | – | 387 | – | – |
| Provision for site restoration | 6,642 | 7,106 | – | – |
| Other liabilities | 45 | – | 40 | – |
| Financial derivative liabilities | 21,721 | 40,671 | – | – |
| Receivables | – | (180) | – | 58 |
| Tax losses (i) | 7,713 | 10,032 | 15 | 43 |
| | 36,121 | 58,260 | 55 | 101 |
| Set off of deferred tax liabilities pursuant to set off provisions | (28,682) | (42,849) | (55) | (101) |
| Net deferred tax assets | 7,439 | 15,411 | – | – |

(i) This amount includes tax losses recognised against deferred tax liabilities in foreign entities of $7.7m (2006: $9.9m).

### (g) Movements in the deferred tax liabilities balance

| | CONSOLIDATED 07 $'000 | CONSOLIDATED 06 $'000 | RESOLUTE MINING LIMITED 07 $'000 | RESOLUTE MINING LIMITED 06 $'000 |
|---|---|---|---|---|
| Balance at the beginning of the year | 103 | 7,378 | – | – |
| Change on adoption of AASB 132 and AASB 139 | – | 354 | – | – |
| (Credited)/charged to equity | 7,997 | 5,157 | – | – |
| (Credited)/charged to the income statement | (6,314) | (12,654) | – | – |
| Foreign exchange | (113) | (132) | – | – |
| Balance as at the end of the year | 1,673 | 103 | – | – |
| The deferred tax liabilities balance comprises temporary differences attributable to: | | | | |
| Inventories | 137 | 113 | 55 | 101 |
| Available for sale financial assets | 2,409 | 5,010 | – | – |
| Financial derivative assets | 152 | 1,602 | – | – |
| Mineral exploration and development interests | 18,446 | 16,045 | – | – |
| Property, plant and equipment | 4,492 | 13,539 | – | – |
| Deferred expenditure | 4,678 | 6,643 | – | – |
| Other | 41 | – | – | – |
| | 30,355 | 42,952 | 55 | 101 |
| Set off of deferred tax liabilities pursuant to set off provisions | (28,682) | (42,849) | (55) | (101) |
| Net deferred tax liabilities | 1,673 | 103 | – | – |

| | CONSOLIDATED | | RESOLUTE MINING LIMITED | |
|---|---|---|---|---|
| | 07 | 06 | 07 | 06 |
| | $'000 | $'000 | $'000 | $'000 |

## NOTE 3: INCOME TAX continued

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

| | 07 $'000 | 06 $'000 | 07 $'000 | 06 $'000 |
|---|---|---|---|---|
| Hedge reserve – gold put options | (274) | (836) | – | – |
| Hedge reserve – forwards | 6,270 | (6,751) | – | – |
| Hedge reserve – unearned income | – | 1,619 | – | – |
| Unrealised gain/(loss) reserve | 2,399 | 5,000 | 55 | 101 |
| Other | 268 | 157 | 268 | 157 |
| | 8,663 | (811) | 323 | 258 |
| Set off of deferred tax liabilities pursuant to set off provisions | 1,055 | 5,132 | – | – |
| Net temporary differences in equity | 9,718 | 4,321 | 323 | 258 |

### (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.

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

There were no dividends paid or provided for during the year.

| | 07 $'000 | 06 $'000 | 07 $'000 | 06 $'000 |
|---|---|---|---|---|
| The amount of franking credits available for the subsequent financial year is as follows. The amount has been determined using a tax rate of 30%. | **5,453** | **5,453** | **4,646** | **4,646** |

## NOTE 5: CASH

| | 07 $'000 | 06 $'000 | 07 $'000 | 06 $'000 |
|---|---|---|---|---|
| Cash at bank and on hand | 66,201 | 7,234 | – | – |
| Short term deposits | 1,460 | 6,758 | 1,460 | – |
| | **67,661** | **13,992** | **1,460** | **–** |

| | CONSOLIDATED | | RESOLUTE MINING LIMITED | |
|---|---|---|---|---|
| | 07 | 06 | 07 | 06 |
| | $'000 | $'000 | $'000 | $'000 |

## NOTE 5: CASH continued

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.

The short term deposit of $1.5m is subject to certain restrictions pursuant to the Group's performance bond credit facility agreement. The restrictions involve the Group maintaining a retention account requiring a minimum balance. The statement has been prepared on the basis that the cash which is subject to certain restrictions is still cash or a cash equivalent.

## NOTE 6: TRADE AND OTHER RECEIVABLES (CURRENT)

| | Consolidated 07 $'000 | Consolidated 06 $'000 | Resolute Mining Limited 07 $'000 | Resolute Mining Limited 06 $'000 |
|---|---|---|---|---|
| Sundry debtors (a) | 16,388 | 10,879 | 21 | 6 |
| Provision for doubtful debts | (155) | (170) | – | – |
| Loans receivable from controlled entities (b) | – | – | – | 7,500 |
| Bullion on hand | 125 | 150 | – | – |
| | **16,358** | **10,859** | **21** | **7,506** |

a) Sundry debtors are non interest bearing and are generally on 30-90 day terms.

b) This loan is interest free and is repayable on demand.

## NOTE 7: INVENTORIES (CURRENT)

| | Consolidated 07 $'000 | Consolidated 06 $'000 | Resolute Mining Limited 07 $'000 | Resolute Mining Limited 06 $'000 |
|---|---|---|---|---|
| Gold in circuit at cost | 8,094 | 11,652 | – | – |
| Consumables at cost | 19,178 | 14,906 | – | – |
| Ore stockpiles at cost | 3,806 | 1,092 | – | – |
| Ore stockpiles at net realisable value | 756 | 2,252 | – | – |
| | **31,834** | **29,902** | **–** | **–** |

Refer to Note 20 for details of amount pledged as security.

## NOTE 8: AVAILABLE FOR SALE FINANCIAL ASSETS (CURRENT)

| | Consolidated 07 $'000 | Consolidated 06 $'000 | Resolute Mining Limited 07 $'000 | Resolute Mining Limited 06 $'000 |
|---|---|---|---|---|
| Shares at fair value – listed | 13,480 | 26,365 | 886 | 1,040 |
| Other securities at fair value – unlisted | – | 3,178 | – | – |
| | **13,480** | **29,543** | **886** | **1,040** |

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

The fair value of the unlisted available for sale investments has been estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates. Management believes the estimated fair values resulting from the valuation techniques and recorded in the balance sheet and the related changes in fair values recorded in the income statement or unrealised gain/loss reserve are reasonable and the most appropriate at the balance sheet date.

| | CONSOLIDATED | | RESOLUTE MINING LIMITED | |
|---|---|---|---|---|
| | 07 | 06 | 07 | 06 |
| | $'000 | $'000 | $'000 | $'000 |
| **NOTE 9: FINANCIAL DERIVATIVE ASSETS (CURRENT)** | | | | |
| Gold put options | 205 | 416 | – | – |
| Lease rate swap | – | 49 | – | – |
| | **205** | **465** | **–** | **–** |

The consolidated entity considers that lease rate swaps provide an economic hedge for future gold production, however are not considered effective hedges per accounting criteria. Refer to Note 45.

| | CONSOLIDATED 07 | CONSOLIDATED 06 | RESOLUTE 07 | RESOLUTE 06 |
|---|---|---|---|---|
| **NOTE 10: DEFERRED EXPENDITURE (CURRENT)** | | | | |
| Deferred mining costs | 4,701 | 21,821 | – | – |
| | **4,701** | **21,821** | **–** | **–** |
| **NOTE 11: OTHER ASSETS (CURRENT)** | | | | |
| Prepayments | 1,610 | 1,860 | 65 | – |
| Other (a) | 22,064 | – | – | – |
| | **23,674** | **1,860** | **65** | **–** |

(a) This amount relates to advances paid by the Group for the Syama mining fleet which will be reimbursed by the mining contractor, PW Mining International Ltd S.A.R.L.

| | CONSOLIDATED 07 | CONSOLIDATED 06 | RESOLUTE 07 | RESOLUTE 06 |
|---|---|---|---|---|
| **NOTE 12: RECEIVABLES (NON CURRENT)** | | | | |
| Loans receivable from controlled entities (a) | – | – | 274,329 | 28,558 |
| | **–** | **–** | **274,329** | **28,558** |

(a) These loans are interest free and are repayable on demand.

| | CONSOLIDATED 07 | CONSOLIDATED 06 | RESOLUTE 07 | RESOLUTE 06 |
|---|---|---|---|---|
| **NOTE 13: FINANCIAL DERIVATIVE ASSETS (NON CURRENT)** | | | | |
| Gold put options | 300 | 4,876 | – | – |
| | **300** | **4,876** | **–** | **–** |

The consolidated entity considers that gold put options provide an economic hedge for future gold production, however are only partially considered effective hedges per accounting criteria. Refer to Note 45.

## NOTE 14: MINERAL EXPLORATION AND EVALUATION EXPENDITURE (NON CURRENT)

| | CONSOLIDATED 07 $'000 | CONSOLIDATED 06 $'000 | RESOLUTE MINING LIMITED 07 $'000 | RESOLUTE MINING LIMITED 06 $'000 |
|---|---|---|---|---|
| The consolidated entity has gold mineral exploration and evaluation expenditure carried forward in respect of areas of interest in the following phases: | | | | |
| Areas in production (at cost) | | | | |
| Balance at beginning of the year | 19,222 | 19,745 | – | – |
| – Expenditure for the year | 3,285 | 2,897 | – | – |
| – Amount amortised during the year | (3,087) | (3,851) | – | – |
| – Foreign currency translation | (621) | 145 | – | – |
| – Movement in rehabilitation obligations | (1,074) | 286 | – | – |
| Balance at the end of the year | **17,725** | **19,222** | **–** | **–** |
| Areas in exploration and evaluation (at cost) | | | | |
| Balance at beginning of the year | 37,234 | 23,683 | – | – |
| – Acquired, disposed, revalued during the year | (1,987) | 179 | – | – |
| – Expenditure for the year | 14,210 | 13,175 | 144 | – |
| – Amounts written off during the year (a) | (968) | (163) | (144) | – |
| – Foreign currency translation | (3,109) | 369 | – | – |
| – Other | – | (9) | – | – |
| Balance at the end of the year | **45,380** | **37,234** | **–** | **–** |
| Total exploration and evaluation | **63,105** | **56,456** | **–** | **–** |

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(o), those amounts are charged to the Income Statements.

| | NOTE | CONSOLIDATED | | RESOLUTE MINING LIMITED | |
|---|---|---|---|---|---|
| | | 07 | 06 | 07 | 06 |
| | | $'000 | $'000 | $'000 | $'000 |
| **NOTE 15: DEVELOPMENT EXPENDITURE (NON CURRENT)** | | | | | |
| Balance at beginning of the year (at cost) | | 14,633 | 10,303 | – | – |
| – Transfers to property, plant and equipment and inventories | | (22,037) | – | – | – |
| – Expenditure for the year | | 64,157 | 3,432 | – | – |
| – Amount written off during the year | | – | (59) | – | – |
| – Foreign currency translation | | (1,912) | 957 | – | – |
| Balance at the end of the year | | **54,841** | **14,633** | – | – |
| **NOTE 16: PROPERTY, PLANT & EQUIPMENT (NON CURRENT)** | | | | | |
| Buildings – at cost | | 6,018 | 5,248 | – | – |
| Accumulated depreciation | | (2,753) | (2,637) | – | – |
| Net carrying amount | 16(a) | 3,265 | 2,611 | – | – |
| Mine properties, plant and equipment – at cost | | 132,736 | 114,720 | – | – |
| Accumulated depreciation | | (42,917) | (39,741) | – | – |
| Net carrying amount | 16(a) | 89,819 | 74,979 | – | – |
| Motor vehicles – at cost | | 2,830 | 2,107 | – | – |
| Accumulated depreciation | | (1,565) | (1,461) | – | – |
| Net carrying amount | 16(a) | 1,265 | 646 | – | – |
| Office equipment – at cost | | 1,444 | 1,302 | – | – |
| Accumulated depreciation | | (807) | (646) | – | – |
| Net carrying amount | 16(a) | 637 | 656 | – | – |
| Plant & equipment under lease at capitalised cost | | 7,116 | 1,536 | – | – |
| Accumulated amortisation | | (1,737) | (320) | – | – |
| Net carrying amount | 16(a) | 5,379 | 1,216 | – | – |
| Total property, plant & equipment | | | | | |
| Cost | | 150,144 | 124,913 | – | – |
| Accumulated depreciation & amortisation | | (49,779) | (44,805) | – | – |
| Total written down amount | | **100,365** | **80,108** | – | – |

NOTE 16: PROPERTY, PLANT & EQUIPMENT (NON CURRENT) continued

(a) Reconciliations

| | CONSOLIDATED 07 $'000 | CONSOLIDATED 06 $'000 | RESOLUTE MINING LIMITED 07 $'000 | RESOLUTE MINING LIMITED 06 $'000 |
|---|---|---|---|---|
| ***Buildings*** | | | | |
| Written down value at the beginning of the year | 2,611 | 3,160 | – | – |
| Additions | 1,202 | 35 | – | – |
| Depreciation expense | (492) | (602) | – | – |
| Net foreign exchange movement | (56) | 18 | – | – |
| Written down value at the end of the year | 3,265 | 2,611 | – | – |
| ***Mine properties, plant and equipment*** | | | | |
| Written down value at the beginning of the year | 74,979 | 79,914 | – | – |
| Additions | 13,864 | 6,273 | – | – |
| Transfers/reallocations | 18,787 | – | – | – |
| Disposals | (43) | – | – | – |
| Depreciation expense | (12,134) | (10,154) | – | – |
| Net foreign exchange movement | (5,634) | (1,054) | – | – |
| Written down value at the end of the year | 89,819 | 74,979 | – | – |
| ***Motor vehicles*** | | | | |
| Written down value at the beginning of the year | 646 | 933 | – | – |
| Additions | 851 | 187 | – | – |
| Transfers/reallocations | 262 | – | – | – |
| Disposals | – | (7) | – | – |
| Depreciation expense | (421) | (487) | – | – |
| Net foreign exchange movement | (73) | 20 | – | – |
| Written down value at the end of the year | 1,265 | 646 | – | – |
| ***Office equipment*** | | | | |
| Written down value at the beginning of the year | 656 | 605 | – | – |
| Additions | 287 | 263 | – | – |
| Transfers/reallocations | (17) | – | – | – |
| Depreciation expense | (257) | (218) | – | – |
| Net foreign exchange movement | (32) | 6 | – | – |
| Written down value at the end of the year | 637 | 656 | – | – |
| ***Plant & equipment under lease – at capitalised cost*** | | | | |
| Written down value at the beginning of the year | 1,216 | 1,102 | – | – |
| Additions | 5,580 | 306 | – | – |
| Amortisation expense | (1,417) | (192) | – | – |
| Written down value at the end of the year | 5,379 | 1,216 | – | – |
| Total property, plant and equipment | 100,365 | 80,108 | – | – |

Refer to Note 20 for information on encumbrances over property, plant and equipment.

| | CONSOLIDATED | | RESOLUTE MINING LIMITED | |
|---|---|---|---|---|
| | 07 | 06 | 07 | 06 |
| | $'000 | $'000 | $'000 | $'000 |
| **NOTE 17: DEFERRED EXPENDITURE (NON CURRENT)** | | | | |
| Deferred mining costs | 21,537 | 21,199 | – | – |
| | **21,537** | **21,199** | **–** | **–** |
| **NOTE 18: OTHER ASSETS (NON CURRENT)** | | | | |
| Shares on controlled entities – at cost (Note 37) (i) | – | – | 76,803 | 116,804 |
| Prepayments (ii) | 6,310 | – | – | – |
| | **6,310** | **–** | **76,803** | **116,804** |

(i) The shares in controlled entities are carried at cost.
(ii) Amount represents monies paid in connection with mining assets for the Syama operation.

| | CONSOLIDATED 07 | CONSOLIDATED 06 | RESOLUTE MINING LIMITED 07 | RESOLUTE MINING LIMITED 06 |
|---|---|---|---|---|
| **NOTE 19: PAYABLES (CURRENT)** | | | | |
| Trade creditors and accruals | 34,554 | 29,862 | 209 | 272 |
| Other creditors | 354 | 231 | – | – |
| | **34,908** | **30,093** | **209** | **272** |

Payables are non interest bearing and generally settled on 30-90 day terms.

| | CONSOLIDATED 07 | CONSOLIDATED 06 | RESOLUTE MINING LIMITED 07 | RESOLUTE MINING LIMITED 06 |
|---|---|---|---|---|
| **NOTE 20: INTEREST BEARING LIABILITIES (CURRENT)** | | | | |
| Lease liability (a) – Note 34 | 1,564 | 281 | – | – |
| Borrowings (b) | – | 8,609 | – | 7,854 |
| Gold loan (c) | 1,803 | 1,949 | – | – |
| | **3,367** | **10,839** | **–** | **7,854** |

(a) During the financial year ended 30 June 2005, Carpentaria Gold Pty Ltd ("CGPL") entered into a finance lease with Esanda Finance Corporation Limited for the purchase of an oxygen plant for the Ravenswood project. Monthly instalments are required under the terms of the contract which has an expiration date of November 2008. RML has provided an unsecured parent entity guarantee to Esanda in relation to this finance lease.

During the financial year ended 30 June 2006, CGPL entered into a hire purchase agreement with Esanda Finance Corporation Limited for the purchase of underground mining equipment which will be used at Mt Wright, Ravenswood. Monthly instalments are required under the terms of the contract which has an expiration date of June 2009.

(b) The term of the hedging facilities with Standard Bank has been extended to 30 June 2009 and it is secured by a fixed and floating charge over the assets of Mabangu Mining Limited ("MML") and Resolute (Tanzania) Limited ("RTL") (the total assets for MML and RTL at balance date are $81m), a floating charge over the cash held by MML and RTL, a share mortgage over Resolute Pty Ltd's shareholding in RTL, a share mortgage over RTL's shareholding in MML and a mortgage over the key tenure held by RTL. The facility is project recourse only.

The hedging facility with ABN AMRO Bank N.V, NM Rothschild & Sons and Investec Bank (Australia) Limited (Ravenswood financiers) (including the gold loan) are secured by the following:

(i) fixed and floating charges over all of the current and future assets of CGPL, including the project, bank accounts, hedging contracts and material ongoing agreements, (total assets at balance date $113m);
(ii) mortgage over RML's shares in CGPL;
(iii) mortgages over CGPL's key mining tenements;
(iv) assignment of rights under insurance policies; and,
(v) tripartite agreements covering material project operating agreements.

In addition, Resolute Pty Ltd and CGPL have provided unsecured guarantees to the Ravenswood financiers.

In 2004, a $6m performance bond facility was provided by the Ravenswood financiers to the Resolute group. The term of this facility was to 30 June 2007. Subsequent to year end, a $7.5m cash backed performance bond facility has been provided by ANZ Bank, and this has replaced the previous facility in August 2007.

(c) This balance represents the current portion of a secured loan to fund the purchase of gold put options. The repayment dates coincide with the expiry date of the gold put options. The put options expire between September 2007 and September 2008.

(d) The total assets of the entities over which security exists amounts to A$194m.

| | CONSOLIDATED | | RESOLUTE MINING LIMITED | |
|---|---|---|---|---|
| | 07 | 06 | 07 | 06 |
| | $'000 | $'000 | $'000 | $'000 |
| **NOTE 21: TAX LIABILITIES (CURRENT)** | | | | |
| Tax payable | 5,069 | 10 | – | – |
| | **5,069** | **10** | **–** | **–** |
| **NOTE 22: FINANCIAL DERIVATIVE LIABILITIES (CURRENT)** | | | | |
| Gold forwards | 32,702 | 59,541 | – | – |
| Gold call options | – | 12,306 | – | – |
| | **32,702** | **71,847** | **–** | **–** |

(a) The current derivative liabilities are partially secured and partially unsecured. All of Carpentaria Gold Pty Ltd and Resolute (Tanzania) Limited's derivative liabilities are secured by their respective financiers. All of Resolute (Treasury) Pty Ltd's derivative liabilities are unsecured. The unsecured current balance amounts to $11.0m (2006: $22.5m).

(b) Included in the derivative liabilities balance above is an amount of $5.2m (2006: $13.1m) relating to undesignated hedging commitments that do not mature in the next 12 months.

(c) The consolidated entity considers that gold forwards and gold put options are an economic hedge for future gold production, however are only partially considered effective hedges per accounting criteria.

| | CONSOLIDATED 07 | CONSOLIDATED 06 | RESOLUTE MINING LIMITED 07 | RESOLUTE MINING LIMITED 06 |
|---|---|---|---|---|
| **NOTE 23: PROVISIONS (CURRENT)** | | | | |
| Employee entitlements (Note 40) | 2,601 | 2,162 | – | – |
| Dividend payable | 69 | 170 | – | – |
| Site restoration (Note 25(i)) | 1,744 | 1,385 | – | – |
| | **4,414** | **3,717** | **–** | **–** |
| **NOTE 24: INTEREST BEARING LIABILITIES (NON CURRENT)** | | | | |
| Borrowings | – | 9,269 | – | – |
| Gold loan (a) | 579 | 2,520 | – | – |
| Lease liability (b), (Note 34) | 3,751 | 1,008 | – | – |
| | **4,330** | **12,797** | **–** | **–** |

(a) This balance is the non-current portion of the loan for the purchase of gold put options. Refer Note 20(c) for further information.

(b) This balance is the non-current portion of the item described in Note 20(a).

| | CONSOLIDATED | | RESOLUTE MINING LIMITED | |
|---|---|---|---|---|
| | 07 | 06 | 07 | 06 |
| | $'000 | $'000 | $'000 | $'000 |

## NOTE 25: PROVISIONS (NON CURRENT)

| | 07 $'000 | 06 $'000 | 07 $'000 | 06 $'000 |
|---|---|---|---|---|
| Site restoration (i) | 20,823 | 23,828 | – | – |
| Unearned income (ii) | – | – | – | – |
| Employee entitlements (Note 40) | 198 | 178 | – | – |
| | **21,021** | **24,006** | **–** | **–** |

### (i) Site restoration

| | 07 $'000 | 06 $'000 | 07 $'000 | 06 $'000 |
|---|---|---|---|---|
| Balance at the beginning of the year | 25,213 | 25,110 | – | – |
| Restoration borrowing cost unwound | 411 | 430 | – | – |
| Change in scope of restoration provision | (1,183) | 1,080 | – | – |
| Utlised during the year | (637) | (1,109) | – | – |
| Foreign exchange | (1,237) | (298) | – | – |
| Balance at the end of the year | 22,567 | 25,213 | – | – |
| Reconciled as: | | | | |
| Current provision (Note 23) | 1,744 | 1,385 | – | – |
| Non-current provision (above) | 20,823 | 23,828 | – | – |
| Total provision | 22,567 | 25,213 | – | – |

### (ii) Unearned income

| | 07 $'000 | 06 $'000 | 07 $'000 | 06 $'000 |
|---|---|---|---|---|
| Balance at the beginning of the year | – | 11,174 | – | – |
| Additional provision | – | – | – | – |
| Utilised during the year | – | (1,988) | – | – |
| Foreign exchange | – | – | – | – |
| Transferred to reserve | – | (9,186) | – | – |
| Balance at the end of the year | – | – | – | – |

***Nature and purpose of provisions***

(a) 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.

| | CONSOLIDATED | | RESOLUTE MINING LIMITED | |
|---|---|---|---|---|
| | 07 | 06 | 07 | 06 |
| | $'000 | $'000 | $'000 | $'000 |
| **NOTE 26: FINANCIAL DERIVATIVE LIABILITIES (NON CURRENT)** | | | | |
| Gold forwards | 39,690 | 64,058 | – | – |
| | **39,690** | **64,058** | **–** | **–** |

The non current hedging liabilities are fully secured. These financial derivatives are considered to be effective hedges per accounting criteria. Refer to Note 45.

## NOTE 27: OTHER LIABILITIES (NON CURRENT)

| | Consolidated 07 | Consolidated 06 | Resolute Mining Limited 07 | Resolute Mining Limited 06 |
|---|---|---|---|---|
| Amount payable to controlled entities | – | – | 83,323 | 35,389 |
| Other | – | – | 133 | 194 |
| | **–** | **–** | **83,456** | **35,583** |

## NOTE 28: CONTRIBUTED EQUITY

### (a) Contributed equity

| | Consolidated 07 | Consolidated 06 | Resolute Mining Limited 07 | Resolute Mining Limited 06 |
|---|---|---|---|---|
| Ordinary share capital | | | | |
| **231,144,559 ordinary fully paid shares (2006: 229,034,059)** | | | **113,917** | **112,955** |

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.

### (b) Movements in contributed equity

| | Consolidated 07 | Consolidated 06 | Resolute Mining Limited 07 | Resolute Mining Limited 06 |
|---|---|---|---|---|
| Balance at the beginning of the year | | | 112,955 | 112,483 |
| Exercise of 60,500 unlisted options at 81 cents per share | | | 49 | – |
| Exercise of 50,000 unlisted options at $1.57 per share | | | 76 | – |
| Exercise of 2,000,000 unlisted options at 42 cents per share | | | 837 | – |
| Exercise of 9,750 listed options at 80 cents per share | | | – | 6 |
| Exercise of 476,000 unlisted options at 81 cents per share | | | – | 383 |
| Exercise of 55,000 unlisted options at $1.57 per share | | | – | 83 |
| Balance at the end of the year | | | 113,917 | 112,955 |

### (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 40(b) 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.

## NOTE 29: RESERVES

| | CONSOLIDATED 07 $'000 | CONSOLIDATED 06 $'000 | RESOLUTE MINING LIMITED 07 $'000 | RESOLUTE MINING LIMITED 06 $'000 |
|---|---|---|---|---|
| Foreign currency translation reserve | (21,096) | (4,778) | – | – |
| Share based payment reserve | 627 | 366 | 627 | 366 |
| Hedge reserve – put options | (717) | (1,950) | – | – |
| Hedge reserve – forwards | 13,651 | (22,505) | – | – |
| Hedge reserve – unearned income | – | 5,398 | – | – |
| Unrealised gain/(loss) reserve | 5,599 | 11,668 | 127 | 237 |
| Equity reserve | – | 6,764 | – | – |
| | **(1,936)** | **(5,037)** | **754** | **603** |

**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) 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(w)(iv).

(iii) Hedge reserves
The hedging reserves are used to record gains or losses on an effective hedging instrument, refer Note 1(m). Ineffective amounts are recognised in the Income Statements.

(iv) Hedge reserve – unearned income
If a hedge instrument is terminated early or restructured, the gain or loss on termination or restructure is deferred and amortised in the period where the physical transaction originally hedged occurs.

(v) Unrealised gain/(loss) reserve
This reserve records fair value changes on available for sale investments, refer Note 1(l)(iv).

(vi) Equity reserve
The equity reserve records transactions between owners as owners.

## NOTE 30: RETAINED PROFITS/ (ACCUMULATED LOSSES)

| | CONSOLIDATED 07 $'000 | CONSOLIDATED 06 $'000 | RESOLUTE MINING LIMITED 07 $'000 | RESOLUTE MINING LIMITED 06 $'000 |
|---|---|---|---|---|
| (Accumulated losses)/retained profits at the beginning of the year | (26,695) | 52,757 | (3,359) | (1,521) |
| Adjustment on adoption of AASB 132 and AASB 139 | – | (2,020) | – | – |
| Adjustment on adoption of AASB 139 amendment AASB 2005-9 (Note 1(y)) | – | – | – | 141 |
| Transfer of equity reserve to retained earnings on disposal of subsidiary | 6,764 | – | – | – |
| Net profit/(loss) attributable to members | 170,170 | (77,432) | 158,587 | (1,979) |
| Retained profits/(accumulated losses) at the end of the financial year | **150,239** | **(26,695)** | **155,228** | **(3,359)** |

| | CONSOLIDATED | | RESOLUTE MINING LIMITED | |
|---|---|---|---|---|
| | 07 | 06 | 07 | 06 |
| | $'000 | $'000 | $'000 | $'000 |
| **NOTE 31: MINORITY INTERESTS** | | | | |
| Analysis of minority interest in controlled entities: | | | | |
| – Share capital | 912 | 2,139 | – | – |
| – Reserves | 1,183 | (121) | – | – |
| – Retained profits | 321 | 414 | – | – |
| | **2,416** | **2,432** | **–** | **–** |

At 30 June 2006, minority interest was overstated by $6,763,710 and equity reserve was understated by the same amount. Comparative amounts in the consolidated balance sheet and consolidated statement of changes in equity have been restated accordingly. This is an equity classification only and has no income statement impact.

## NOTE 32: NOTES TO THE CASH FLOW STATEMENTS

### (a) Reconciliation of net profit/(loss) from continuing operations after income tax to the net cash flows:

| | CONSOLIDATED 07 $'000 | CONSOLIDATED 06 $'000 | RESOLUTE MINING LIMITED 07 $'000 | RESOLUTE MINING LIMITED 06 $'000 |
|---|---|---|---|---|
| Net profit/(loss) from ordinary activities after income tax | 169,996 | (77,560) | 158,587 | (1,979) |
| Add/(deduct) non-cash items: | | | | |
| Write down of mineral exploration and development costs | 968 | 221 | 144 | – |
| Depreciation and amortisation of property, plant and equipment | 11,282 | 11,653 | – | – |
| Amortisation of exploration, development and rehabiliation costs | 3,511 | 3,983 | – | – |
| Rehabilitation provision discount adjustment | 411 | 430 | – | – |
| Share based payments | 370 | 256 | 370 | 256 |
| Loss/(profit) on sale of property, plant and equipment | 19 | (81) | – | – |
| Profit on sale of investments | (180,093) | – | (132,225) | (1,000) |
| Unrealised foreign exchange loss | 833 | – | 1,700 | – |
| Bad debts expense | – | 85 | – | – |
| Provision for employee entitlements | 144 | (80) | – | – |
| Unearned income | (5,204) | (4,478) | – | – |
| Net write off of loans to/from controlled entities | – | – | (31,187) | – |
| Other | 4 | (725) | (214) | (81) |
| Changes in operating assets and liabilities: | | | | |
| Receivables | (5,499) | 2,229 | (15) | 2 |
| Inventories | (1,932) | (4,912) | – | – |
| Financial derivatives | (8,004) | 105,273 | – | – |
| Prepayments | 250 | (501) | 81 | – |
| Deferred expenditure | 16,782 | (10,252) | – | – |
| Payables | 5,795 | 3,480 | (63) | 194 |
| Provision for taxation | 5,059 | (93) | (57) | – |
| Provisions | (2,288) | (600) | – | – |
| Deferred tax balances | 4,144 | (23,040) | – | (258) |
| Net operating cash flows | **16,548** | **5,288** | **(2,879)** | **(2,866)** |

### (b) Non cash investing activities:

The consolidated entity received shares in Paladin Resources Limited as consideration for the disposal of Valhalla Uranium Limited (refer Note 35).

### (c) Finance Leases

Refer to Note 16(a) for additions to finance leases and Note 20(a) for terms and conditions.

## NOTE 33: EXPLORATION AND DEVELOPMENT COMMITMENTS

### (a) 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 2008 for the consolidated entity and parent entity is $11.2m (2007: $15.3m) and $nil (2007: $nil) respectively. This includes the minimum amounts required to retain tenure.

### (b) Syama gold mine redevelopment:

As at 30 June 2007 the Group had development expenditure commitments of US$41.3m with respect to the Syama gold mine redevelopment in Mali, Africa. This amount includes a commitment of US$9.8m for the completion of the power station, and is over and above the US$32.5m of current year expenditure which is included in the amounts shown in Note 15.

Estimated total cost for the project as at 31 August 2007, including the US$19.6m power station, is US$140.9m. This amount includes a forecasted overrun of US$3.0m which relates to costs associated with the installation of a two stage scrubbing system.

The remaining Syama redevelopment costs will be funded by a combination of debt and equity. The directors are currently evaluation the optimum mix and form of funding.

| | CONSOLIDATED | | RESOLUTE MINING LIMITED | |
|---|---|---|---|---|
| | 07 | 06 | 07 | 06 |
| | $'000 | $'000 | $'000 | $'000 |
| **NOTE 34: LEASE COMMITMENTS** | | | | |
| **(a) Finance lease** | | | | |
| Lease expenditure contracted and provided for: | | | | |
| Due within one year | 1,919 | 375 | – | – |
| Due between one and five years | 3,947 | 1,109 | – | – |
| Total minimum lease payments | 5,866 | 1,484 | – | – |
| Less finance charges | (551) | (195) | – | – |
| Present value of minimum lease payments | **5,315** | **1,289** | – | – |
| Reconciled to: | | | | |
| Current liability (Note 20) | 1,564 | 281 | – | – |
| Non current liability (Note 24) | 3,751 | 1,008 | – | – |
| | 5,315 | 1,289 | – | – |
| **(b) Operating leases (non-cancellable)** | | | | |
| Due within one year | 202 | 193 | – | – |
| Due between one and five years | 432 | 634 | – | – |
| Aggregate lease expenditure contracted for at balance date but not provided for | 634 | 827 | – | – |

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

NOTE 35: DISPOSAL OF CONTROLLED ENTITY

On 11 September 2006, the consolidated entity sold its 83.3% interest in Valhalla Uranium Limited ("Valhalla").

The results of Valhalla for the period 1 July 2006 until the disposal date are presented below:

| | CONSOLIDATED |
|---|---|
| | 07 |
| | $'000 |
| Revenue | 67 |
| Expenses | (394) |
| Loss before income tax | (327) |
| Income tax benefit | – |
| Loss after income tax | **(327)** |
| The carrying amounts of assets and liabilities until disposal were: | |
| Cash | 4,096 |
| Receivables | 21 |
| Exploration & evaluation | 2,815 |
| Total Assets | 6,932 |
| Creditors | – |
| Total Liabilities | – |
| Minority interests | (1,146) |
| Net Assets | 5,786 |
| Consideration received: | |
| Shares in Paladin Resources Limited | 161,076 |
| Total disposal consideration | 161,076 |
| Carrying amount of net assets sold | (5,786) |
| Gain on sale before income tax | 155,290 |
| Other costs incidental to the sale of Valhalla | (876) |
| Income tax expense | – |
| Gain on sale after income tax | **154,414** |
| Net cash outflow on disposal: | |
| Cash consideration | – |
| Outflow of cash held by disposed subsidiary | (4,096) |
| Reflected in cash flow statement | **(4,096)** |

## NOTE 36: RELATED PARTY TRANSACTIONS

**(a) The following related party transactions occurred during the year:**

(i) Transactions with related parties in the wholly owned group

The parent entity entered into the following transactions during the year with related parties:

Management fees of $900,000 (2006: $1,020,000) were paid to a wholly owned controlled entity by RML during the year. All transactions were on normal commercial terms and conditions.

Purchase of 100% of the shares in Broken Hill Metals Pty Ltd, Stockbridge Pty Ltd and Paulsens Gold Pty Ltd from Resolute Pty Ltd (formerly Resolute Limited) by Resolute (Treasury) Pty Ltd for consideration of $1.

Appropriate disclosures of amounts due to and receivable from related parties are contained in the notes to the financial statements.

| | 07<br>$'000 | 06<br>$'000 |
|---|---|---|
| (ii) Transactions with other related parties | | |
| Management fees and technical services paid to a wholly owned controlled entity by Resolute Amansie Limited | 90 | 120 |
| Management fees and technical services paid to a wholly owned controlled entity by Valhalla Uranium Limited (up to date of disposal) | 115 | 198 |
| | 205 | 318 |

(iii) Loans receivable from and payable to controlled entities

Refer to Notes 6, 12 and 27 for details, terms and conditions of loans receivable from and payable to controlled entities.

During the year, the loan between Resolute Pty Ltd and RML was written off.

**(b) RML is the ultimate Australian holding company and there is no controlling entity of RML at 30 June 2007.**

## NOTE 37: CONTROLLED ENTITIES

The following were controlled entities as at 30 June 2007 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 | BOOK VALUE OF DIRECT INVESTMENT HELD 07 $'000 | 06 $'000 | PERCENTAGE OF SHARES HELD BY CONSOLIDATED ENTITY 07 % | 06 % |
|---|---|---|---|---|---|
| Abore Mining Company Limited, Ghana | Associated Gold Fields Pty Ltd | – | – | 90 | 90 |
| Associated Gold Fields Pty Ltd, Aust. (g) | Resolute Pty Ltd | – | – | 100 | 100 |
| | Kiwi International Resources Pty Ltd | | | | |
| | Tuki Nominees Pty Ltd | | | | |
| Broken Hill Metals Pty Ltd, Aust. (a) (d) | Resolute (Treasury) Pty Ltd | – | – | 100 | 100 |
| Carpentaria Gold Pty Ltd, Aust. | Resolute Mining Limited | 60,160 | 60,161 | 100 | 100 |
| Equity In Industry Pty Ltd, Aust. (a) (c) | Resolute Pty Ltd | – | – | – | 100 |
| Excalibur Pty Ltd, Aust. (a) (c) | Resolute Pty Ltd | – | – | – | 100 |
| Ghana Mining Investments Pty Ltd, Aust. (a) | Associated Gold Fields Pty Ltd | – | – | 100 | 100 |
| Goudhurst Pty Ltd, Aust. (a) | Stockbridge Pty Ltd | – | – | 100 | 100 |
| Kiwi Goldfields Limited, Ghana | Associated Gold Fields Pty Ltd | – | – | 100 | 100 |
| | Kiwi International Resources Pty Ltd | | | | |
| Kiwi International Resources Pty Ltd, Aust. (a) | Associated Gold Fields Pty Ltd | – | – | 100 | 100 |
| Mabangu Mining Limited, Tanzania | Resolute (Tanzania) Limited | – | – | 100 | 100 |
| Mabangu Exploration Limited, Tanzania | Resolute (Tanzania) Limited | – | – | 100 | 100 |
| Marapana Gold Pty Ltd, Aust. (a) | Resolute Pty Ltd | – | – | 100 | 100 |
| Mt Isa Uranium Pty Ltd, Aust. (a) (b) | Valhalla Uranium Ltd | – | – | – | 83 |
| N & J Mitchell Prospecting Pty Ltd, Aust. (a) | Resolute Pty Ltd | – | – | 100 | 100 |
| Northern Territory Uranium Pty Ltd, Aust. (a) (b) | Valhalla Uranium Ltd | – | – | – | 83 |
| Obenemase Gold Mines Ltd, Ghana | Ghana Mining Investments Pty Ltd | – | – | 90 | 90 |
| Paulsens Gold Pty Ltd, Aust. (a) (c) | Resolute (Treasury) Pty Ltd | – | – | – | 100 |
| Resolute (Somisy) Limited, Jersey (a) | Resolute Mining Limited | – | – | 100 | 100 |
| Resolute (Finkolo) Limited, Jersey (a) (i) | Resolute Mining Limited | – | – | 100 | – |
| Resolute Amansie Limited, Ghana | Associated Gold Fields Pty Ltd | – | – | 90 | 90 |
| | Kiwi International Resources Pty Ltd | | | | |
| Resolute (Ghana) Limited, Ghana | Associated Gold Fields Pty Ltd | – | – | 100 | 100 |
| Resolute Pty Ltd, Aust. (f) | Resolute Mining Limited | 16,643 | 16,643 | 100 | 100 |
| Resolute Resources Pty Ltd, Aust. (a) (e) | Resolute Pty Ltd | – | – | 100 | 100 |
| Resolute (TZ Holdings) Limited, Jersey (a) (i) | Resolute Mining Limited | – | – | 100 | – |
| Resolute (Tanzania) Limited, Tanzania | Resolute Pty Ltd | – | – | 100 | 100 |
| Resolute (Treasury) Pty Ltd, Aust. (a) (h) | Resolute Mining Limited | – | – | 100 | – |
| Societe des Mines de Syama S.A., Mali | Resolute (Somisy) Limited | – | – | 80 | 80 |
| Stockbridge Pty Ltd, Aust. (a) (d) | Resolute (Treasury) Pty Ltd | – | – | 100 | 100 |
| Stockbridge Services Unit Trust, Aust. (a) | Stockbridge Pty Ltd | – | – | 100 | 100 |
| Tuki Nominees Pty Ltd, Aust. (a) | Resolute Pty Ltd | – | – | 100 | 100 |
| Valhalla Uranium Limited, Aust. (b) | Resolute Mining Limited | – | 40,000 | – | 83 |
| | | **76,803** | **116,804** | | |

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.
b) During the year, Resolute Mining Limited disposed of its 83% ownership of Valhalla Uranium Limited and its subsidiaries (refer Note 35).
c) During the year, Equity in Industry Pty Ltd, Paulsens Gold Pty Ltd and Excalibur Pty Ltd were deregistered.
d) During the year, ownership of Stockbridge Pty Ltd and Broken Hill Metals Pty Ltd was transferred from Resolute Pty Ltd (formerly Resolute Limited) to Resolute (Treasury) Pty Ltd.
e) During the year, ownership of Resolute Resources Pty Ltd transferred from Resolute Pty Ltd, Excalibur Pty Ltd and Stockbridge Pty Ltd wholly to Resolute Pty Ltd.
f) During the year, Resolute Limited changed its company type and name from a limited company to a proprietary limited company, becoming Resolute Pty Ltd.
g) During the year, Associated Gold Fields NL changed its company type and name from a no liability company to a proprietary limited company, becoming Associated Gold Fields Pty Ltd.
h) On 18 July 2006, Resolute (Treasury) Pty Ltd was incorporated as a wholly owned subsidiary of Resolute Mining Limited.
i) On 22 August 2006, Resolute (Finkolo) Limited and Resolute (TZ Holdings) Limited were both incorporated as wholly owned subsidiaries of Resolute Mining Limited.

## NOTE 38: SEGMENT INFORMATION

### a) Primary segments – geographical

The consolidated entity operates in four geographical segments.

| 07<br>Geographical Segments | TANZANIA<br>A$'000 | GHANA<br>A$'000 | MALI<br>A$'000 | AUSTRALIA<br>A$'000 | CONSOLIDATED<br>A$'000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Sales | 99,126 | – | – | 86,171 | 185,297 |
| Other revenue | 177 | – | 11 | 6,663 | 6,851 |
| Segment revenue | 99,303 | – | 11 | 92,834 | 192,148 |
| **Results** | | | | | |
| Segment results from continuing operations | 15,907 | (1,142) | 75 | 164,496 | 179,336 |
| Group profit from ordinary activities before income tax expense | | | | | 179,336 |
| Income tax expense | | | | | (9,340) |
| Group profit from ordinary activities after income tax expense | | | | | **169,996** |
| **Assets** | | | | | |
| Segment assets | 81,251 | 6,983 | 119,872 | 203,704 | 411,810 |
| **Liabilities** | | | | | |
| Segment liabilities | 32,791 | 372 | 14,445 | 99,566 | 147,174 |
| **Other Segment Information** | | | | | |
| Depreciation and amortisation | 6,627 | 6 | – | 8,160 | 14,793 |
| Acquisition of non-current assets | 12,776 | 2,515 | 80,498 | 37,021 | 132,810 |
| Write off of mineral exploration and development expenditure | (75) | (729) | – | (164) | (968) |

| 06<br>Geographical Segments | TANZANIA<br>A$'000 | GHANA<br>A$'000 | MALI<br>A$'000 | AUSTRALIA<br>A$'000 | CONSOLIDATED<br>A$'000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Sales | 91,624 | – | – | 102,769 | 194,393 |
| Other revenue | 159 | 126 | – | 2,887 | 3,172 |
| Segment revenue | 91,783 | 126 | – | 105,656 | 197,565 |
| **Results** | | | | | |
| Segment results | 19,215 | (1,058) | – | (121,107) | (102,950) |
| Group loss from ordinary activities before income tax benefit | | | | | (102,950) |
| Income tax benefit | | | | | 25,390 |
| Group loss from ordinary activities after income tax benefit | | | | | **(77,560)** |
| **Assets** | | | | | |
| Segment assets | 81,591 | 6,049 | 43,753 | 169,732 | 301,125 |
| **Liabilities** | | | | | |
| Segment liabilities | 57,386 | 810 | 9,791 | 149,483 | 217,470 |
| **Other Segment Information** | | | | | |
| Depreciation and amortisation | 7,188 | 96 | – | 8,352 | 15,636 |
| Acquisition of non-current assets | 8,383 | 2,617 | 3,263 | 15,002 | 29,265 |
| Write off of mineral exploration and development expenditure | (36) | (188) | – | 3 | (221) |

Gold is sold on the global market with proceeds being realised at point of sale.

The comparative information for 2006 has been adjusted to include the Unallocated segment within the Australia segment.

## NOTE 38: SEGMENT INFORMATION continued

### (b) Secondary segment – business

The Group has one business segment being mining and exploration of gold.

| | MINING AND EXPLORATION OF GOLD | |
|---|---|---|
| | 07 | 06 |
| | $ | $ |
| Segment revenue | 192,148 | 197,565 |
| Segment assets | 411,810 | 301,125 |
| Acquisition of non-current assets | 132,810 | 29,265 |

## NOTE 39: AUDITOR REMUNERATION

Amounts received or due and receivable by Ernst & Young Australia, from entities in the consolidated entity or related entities:

| | CONSOLIDATED | | RESOLUTE MINING LIMITED | |
|---|---|---|---|---|
| | 07 | 06 | 07 | 06 |
| | $ | $ | $ | $ |
| Auditing accounts | 195,000 | 221,000 | 91,918 | 104,000 |
| Taxation planning advice and review | 232,526 | 188,850 | 214,240 | 188,850 |
| | 427,526 | 409,850 | 306,158 | 292,850 |
| Amounts received or due and receivable by a related overseas office of Ernst & Young, from entities in the consolidated entity or related entities: | | | | |
| Auditing accounts | 14,651 | 13,000 | – | – |
| | 14,651 | 13,000 | – | – |
| | **442,177** | **422,850** | **306,158** | **292,850** |

| | CONSOLIDATED | | RESOLUTE MINING LIMITED | |
|---|---|---|---|---|
| | 07 | 06 | 07 | 06 |
| | $ | $ | $ | $ |

## NOTE 40: EMPLOYEE BENEFITS

### a) Employee entitlements

| | 07 $ | 06 $ | 07 $ | 06 $ |
|---|---|---|---|---|
| *The aggregate employee entitlement liability is comprised of:* | | | | |
| Provisions (current) (Note 23) | 2,601 | 2,162 | – | – |
| Provisions (non current) (Note 25) | 198 | 178 | – | – |
| | **2,799** | **2,340** | **–** | **–** |

### b) Employee share option plan

An employee share option plan has been established where one of the directors, 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.

2,000,000 options were exercised by a director on 8 December 2006. These options had an exercise price of $0.42 per fully paid ordinary share. The options were issued in December 2001.

Options outstanding at balance date are 787,500 options (Options A) which are comprised of the opening balance of 848,000 less 60,500 options exercised during the year. These options were issued on 20 September 2002 with an exercise price of $0.81 per fully paid ordinary share and expire on 19 September 2007. 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.

Also outstanding at balance date are 475,000 options (Options B) which are comprised of the opening balance of 525,000 less 50,000 options exercised during the year. These options were issued on 21 December 2004 with an exercise price of $1.57 and an expiry date of 21 December 2009. 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.

An additional 405,000 options (Options C) were issued under the employee share option plan on 24 March 2006, with a strike 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. None of these options were exercised or lapsed during the financial year.

570,000 options (Options D) were issued under the employee share option plan on 25 October 2006, with a strike 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. None of these options were exercised or lapsed during the financial 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:

| | 07 | | 06 | |
|---|---|---|---|---|
| | NUMBER OF OPTIONS | WEIGHTED AVERAGE EXERCISE PRICE $ | NUMBER OF OPTIONS | WEIGHTED AVERAGE EXERCISE PRICE $ |
| **Balance at the beginning of the year *** | 3,778,000 | 0.76 | 4,094,000 | 0.76 |
| – granted | 570,000 | 1.48 | 405,000 | 1.28 |
| – exercised/lapsed | (2,110,500) | 0.46 | (721,000) | 1.03 |
| Balance at the end of the year | **2,237,500** | **1.23** | **3,778,000** | **0.76** |
| Vested and exercisable at the end of the year | **1,587,500** | **1.16** | **3,373,000** | **0.70** |

*Included within this balance are options over 787,500 shares (2006: 2,848,000 shares) that have not been recognised in accordance with AASB 2 as the options were granted on or before November 2002. These options have not been modified and therefore do not need to be accounted for in accordance with AASB 2.

NOTE 40: EMPLOYEE BENEFITS continued

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

| 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 |
|---|---|---|---|---|---|---|---|---|
| **07** | | | | | | | | |
| 50,000 | 21 Dec 04 | 13 Jul 06 | 21 Dec 09 | 1.57 | 78,500 | 50,000 | 13 Jul 06 | 2.05 |
| 40,500 | 20 Sept 02 | 13 Jul 06 | 19 Sept 07 | 0.81 | 32,805 | 40,500 | 13 Jul 06 | 2.05 |
| 20,000 | 20 Sept 02 | 25 Oct 06 | 19 Sept 07 | 0.81 | 16,200 | 20,000 | 25 Oct 06 | 1.56 |
| 2,000,000 | 11 Dec 01 | 8 Dec 06 | 10 Dec 06 | 0.42 | 840,000 | 2,000,000 | 8 Dec 06 | 1.63 |
| **06** | | | | | | | | |
| 36,000 | 20 Sept 02 | 4 Oct 05 | 19 Sept 07 | 0.81 | 29,160 | 36,000 | 4 Oct 05 | 1.43 |
| 50,000 | 13 Aug 03 | 4 Oct 05 | 13 Aug 08 | 0.81 | 40,500 | 50,000 | 4 Oct 05 | 1.43 |
| 60,000 | 20 Sept 02 | 8 Nov 05 | 19 Sept 07 | 0.81 | 48,600 | 60,000 | 8 Nov 05 | 1.09 |
| 10,000 | 20 Sept 02 | 8 Feb 06 | 19 Sept 07 | 0.81 | 8,100 | 10,000 | 8 Feb 06 | 1.32 |
| 10,000 | 20 Sept 02 | 21 Apr 06 | 19 Sept 07 | 0.81 | 8,100 | 10,000 | 21 Apr 06 | 2.00 |
| 35,000 | 21 Dec 04 | 21 Apr 06 | 21 Dec 09 | 1.57 | 54,950 | 35,000 | 21 Apr 06 | 2.00 |
| 10,000 | 20 Sept 02 | 11 May 06 | 19 Sept 07 | 0.81 | 8,100 | 10,000 | 11 May 06 | 2.57 |
| 20,000 | 21 Dec 04 | 11 May 06 | 21 Dec 09 | 1.57 | 31,400 | 20,000 | 11 May 06 | 2.57 |
| 300,000 | 20 Sept 02 | 29 Jun 06 | 19 Sept 07 | 0.81 | 243,000 | 300,000 | 29 Jun 06 | 1.64 |

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:

| | OPTIONS A | OPTIONS B | OPTIONS C | OPTIONS D |
|---|---|---|---|---|
| Number of options at year end | 105,000 | 475,000 | 405,000 | 570,000 |
| Dividend yield (%) | 0.00 | 0.00 | 0.00 | 0.00 |
| Expected volatility (%) | 45% | 50% | 50% | 50% |
| Risk free interest rate (%) | 5.50% | 5.50% | 5.50% | 5.50% |
| Expected life of options (years) | 5 | 5 | 5 | 5 |
| Option exercise price ($) | 0.81 | 1.57 | 1.28 | 1.48 |
| Share price at grant date ($) | 0.74 | 1.43 | 1.16 | 1.35 |
| Value per option at grant date ($) | 0.33 | 0.68 | 0.55 | 0.65 |

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 Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The services received and a liability to pay for those services are recognised over the expected vesting period.

## NOTE 41: INTERESTS IN JOINT VENTURES

### Jointly controlled assets

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

| | | PERCENTAGE OF INTEREST HELD | |
|---|---|---|---|
| | | 07 | 06 |
| ENTITY HOLDING INTEREST | JOINT VENTURE | % | % |
| Mabangu Mining Limited | Iamgold/Nyakafuru JV | 66% | 66% |
| Mabangu Mining Limited | Sub-Sahara/Nyakafuru JV | 51%<br>Elected to earn additional 19% | 51%<br>Elected to earn additional 19% |
| Resolute Pty Ltd (formerly Resolute Limited) | Etruscan – Finkolo JV | 60% | 48% |
| Mt Isa Uranium Pty Ltd | Summit/Isa Uranium JV | 0% | 50% |
| Northern Territory Uranium Pty Ltd | Energy Metals/Bigrlyi Uranium JV | 0% | 42% |

The interests in the joint ventures that are included in the accounts is as follows:

| | CONSOLIDATED | |
|---|---|---|
| | 07 | 06 |
| | $'000 | $'000 |
| Exploration and development expenditure | 15,874 | 11,125 |

## NOTE 42: 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) 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 RML and US$5 per ounce on the next three million attributable ounces of gold production.

### (c) Tanzanian Tax Assessment

In 2005, RTL received an income tax assessment from the 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 not recognised 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.

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.

The financial effect of the TRA assessment has not been recognised within the accounts.

### (d) Summit Resources (Aust) Pty Ltd

Resolute Mining Limited ("Resolute") 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 Resolute'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 (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 Resolute.

Summit had commenced proceedings ("Proceedings") in the Supreme Court of Western Australia against Resolute and Mount Isa Uranium Pty Ltd in relation to disclosures made, allegedly in breach of the Isa Uranium Joint Venture Agreement, in connection with the successful takeover of Valhalla Uranium Limited by Paladin.

On 3 August 2007, Summit, after having an independent committee obtain legal advice and review the commercial rationale for litigation, determined it to be in its 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.

Subsequently, Areva NC (Australia) Pty Ltd ("Areva") (a wholly owned subsidiary of French company, Areva NC) applied to the Supreme Court of Western Australia to intervene in the Proceedings and act on behalf of Summit (under section 237 of the Corporations Act).

Areva obtained an order for access to Summit's records in connection with the settlement of the Proceedings and the Proceedings so that it could assess its prospects of success in its application to terminate the Deed of Release and Settlement and intervene on behalf of Summit in the Proceedings. Areva is now reviewing the information provided to it and will then consider whether and how to proceed.

Resolute is confident that at all times the disclosure obligations under the Isa Uranium Joint Venture Agreement have been complied with.

### (e) Malian Expatriate Employees Claim

In August 2007, a claim was issued against Societe Des Mines De Syama (a subsidiary of Resolute Mining Limited and owner of the Syama mine in Mali) for the alleged non payment by a contractor of expatriate employee social contributions for the period 1 July 2005 to 30 June 2007 and is for an amount of US$564k. An objection to the assessment has been lodged, no response has yet been received from the Malian Authorities.

## NOTE 43: CONTINGENT ASSETS

### Challenger/Dominion Royalty

Resolute will continue to receive A$20 per ounce for every ounce of gold production in relation to the Challenger project in the Gawler Craton region of South Australia. As at 30 June 2007, the gold reserves at the Challenger project were 512,000 ounces of gold.

## NOTE 44: EARNINGS PER SHARE (EPS)

| | CONSOLIDATED | |
|---|---|---|
| | 07 | 06 |
| **Basic earnings per share** | | |
| Profit/(loss) used in calculation of basic EPS ($'000) | 170,170 | (77,432) |
| Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS | 230,252,733 | 228,622,343 |
| **Basic EPS (cents per share)** | **73.91** | **(33.87)** |
| **Diluted earnings per share** | | |
| Profit/(loss) used in calculation of dilutive EPS ($'000) | 170,170 | (77,432) |
| Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS | 230,252,733 | 228,622,343 |
| Weighted average of notional shares used in determining diluted EPS | 1,107,301 | – |
| Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted EPS | 231,360,034 | 228,622,343 |
| Number of potential ordinary shares that are not dilutive and hence not included in calculation of diluted EPS | 475,000 | – |
| **Diluted EPS (cents per share)** | **73.55** | **(33.87)** |

## NOTE 45: FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, and commodity price risk), credit risk, liquidity risk, and interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as gold forward contracts, gold call options and gold put options to hedge certain risk exposures.

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 hedges 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) Use of derivative financial instruments

As part of the risk management policy of the Group and in compliance with the conditions required by project financiers, a variety of financial instruments are used to reduce exposure to unpredictable fluctuations in the project life revenue streams. The subjective assessment of 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. These financial instruments are entered into to manage the exposure to adverse movements in the gold price and the Australian dollar (AUD)/United States dollar (USD) exchange rates. The hedging facilities provided by the Group's various hedging counterparties provide flexibility in the timing of the settlement of maturing positions and there are no margin calls attached to any of the hedging facilities. Details of the financial instruments used by the Group are provided at (b) below.

### (b) Derivative instruments

As at 30 June 2007, the Group had entered into the gold hedging contracts shown below. Gold hedging denominated in USD has been converted to an Australian dollar equivalent using the year end USD/AUD spot rate of US$0.8491 (2006: US$0.7423).

The parent entity had no gold forward sales contracts, gold put options bought or gold call options sold as at 30 June 2007 or 30 June 2006.

***(i) Gold forward sales contracts and gold put options bought***



| | FORWARD SALES | | PUT OPTIONS BOUGHT | | TOTAL | |
|---|---|---|---|---|---|---|
| | OUNCES | SALES PRICE $/OUNCE | OUNCES | STRIKE PRICE $/OUNCE | OUNCES | $/OUNCE |
| AUD Denominated Contracts | | | | | | |
| Maturity within 1 year | 129,333 | 696 | 160,000 | 645 | 289,333 | 668 |
| Between 1 and 2 years | 84,333 | 697 | 55,000 | 673 | 139,333 | 688 |
| Between 2 and 3 years | 88,334 | 699 | – | – | 88,334 | 699 |
| Total | 302,000 | 697 | 215,000 | 652 | 517,000 | 678 |
| USD Denominated Contracts | | | | | | |
| Maturity within 1 year | 78,853 | 498 | 105,000 | 443 | 183,853 | 467 |
| Between 1 and 2 years | 99,750 | 540 | 30,000 | 446 | 129,750 | 518 |
| Total | 178,603 | 522 | 135,000 | 443 | 313,603 | 488 |
| Total (converted to AUD) | | | | | | |
| Maturity within 1 year | 208,186 | 655 | 265,000 | 596 | 473,186 | 622 |
| Between 1 and 2 years | 184,083 | 664 | 85,000 | 621 | 269,083 | 651 |
| Between 2 and 3 years | 88,334 | 699 | – | – | 88,334 | 699 |
| Total | 480,603 | 667 | 350,000 | 602 | 830,603 | 639 |

Of the above amount, 625,404 ounces represent specific hedges of future gold production of the consolidated entity.

Of the contracts that are not considered to be effective hedges of future gold production of the consolidated entity, the net mark to market position at 30 June 2007 is $13.5m deficit (2006: $34.7m deficit). This amount has been reflected in the Income Statements and Balance Sheets as at 30 June 2007. These contracts have the desired effect of reducing the risk associated with a decrease in the gold price, but do not satisfy the strict accounting criteria to be called an effective hedge.

NOTE 45: FINANCIAL INSTRUMENTS continued

**(b) Derivative instruments (continued)**

| | FORWARD SALES | | PUT OPTIONS BOUGHT | | TOTAL | |
|---|---|---|---|---|---|---|
| **06** | OUNCES | SALES PRICE $/OUNCE | OUNCES | STRIKE PRICE $/OUNCE | OUNCES | $/OUNCE |
| AUD Denominated Contracts | | | | | | |
| Maturity within 1 year | 125,500 | 661 | 135,000 | 607 | 260,500 | 633 |
| Between 1 and 2 years | 89,333 | 699 | 160,000 | 645 | 249,333 | 664 |
| Between 2 and 3 years | 69,333 | 699 | 55,000 | 673 | 124,333 | 688 |
| Between 3 and 4 years | 88,334 | 699 | – | – | 88,334 | 699 |
| Total | 372,500 | 686 | 350,000 | 635 | 722,500 | 661 |
| USD Denominated Contracts | | | | | | |
| Maturity within 1 year | 79,512 | 375 | 15,000 | 425 | 94,512 | 383 |
| Between 1 and 2 years | 53,000 | 483 | 105,000 | 443 | 158,000 | 456 |
| Between 2 and 3 years | 44,750 | 536 | 30,000 | 446 | 74,750 | 500 |
| Total | 177,262 | 448 | 150,000 | 442 | 327,262 | 445 |
| Total (converted to AUD) | | | | | | |
| Maturity within 1 year | 205,012 | 600 | 150,000 | 603 | 355,012 | 602 |
| Between 1 and 2 years | 142,333 | 681 | 265,000 | 626 | 407,333 | 645 |
| Between 2 and 3 years | 114,083 | 708 | 85,000 | 648 | 199,083 | 682 |
| Between 3 and 4 years | 88,334 | 699 | – | – | 88,334 | 699 |
| Total | 549,762 | 659 | 500,000 | 623 | 1,049,762 | 642 |

***(ii) Gold call options sold***

| | AUD CALL OPTIONS SOLD | | USD CALL OPTIONS SOLD | | TOTAL CALL OPTIONS SOLD | |
|---|---|---|---|---|---|---|
| | OUNCES | STRIKE PRICE A$ | OUNCES | STRIKE PRICE US$ | OUNCES | STRIKE PRICE A$ |
| **07** | | | | | | |
| Maturity within one year | – | – | – | – | – | – |
| **06** | | | | | | |
| Maturity within one year | – | – | 85,000 | 522 | 85,000 | 703 |

The above derivatives are not considered to be effective hedges per accounting criteria. The net mark to market position as at 30 June 2007 is $nil (2006: $12.3m deficit). This is reflected in the Income Statements and Balance Sheets.

NOTE 45: FINANCIAL INSTRUMENTS continued

### (c) Foreign exchange risk

The consolidated entity is exposed to foreign currency exchange rate risk through financial assets and liabilities. The following table summarises by currency, in Australian dollars, the foreign exchange risk in respect of recognised financial assets and liabilities.

| | NOTE | UNITED STATES DOLLARS | AUSTRALIAN DOLLARS | OTHER | TOTAL |
|---|---|---|---|---|---|
| **07** | | A$'000 | A$'000 | A$'000 | A$'000 |
| **Financial Assets** | | | | | |
| Cash (i) | 5 | 18,029 | 4,043 | 45,589 | 67,661 |
| Receivables | 6 | 10,842 | 3,001 | 2,515 | 16,358 |
| Available for sale financial assets | 8 | – | 13,480 | – | 13,480 |
| Financial derivative assets | 9,13 | – | 505 | – | 505 |
| | | 28,871 | 21,029 | 48,104 | 98,004 |
| **Financial Liabilities** | | | | | |
| Payables | 19 | 13,792 | 12,100 | 9,016 | 34,908 |
| Interest bearing liabilities | 20,24 | – | 7,697 | – | 7,697 |
| Financial derivative liabilities | 22,26 | 14,505 | 57,887 | – | 72,392 |
| | | 28,297 | 77,684 | 9,016 | 114,997 |
| **06** | | | | | |
| **Financial Assets** | | | | | |
| Cash | 5 | 4,246 | 9,467 | 279 | 13,992 |
| Receivables | 6 | 6,368 | 4,308 | 183 | 10,859 |
| Available for sale financial assets (ii) | 8 | – | 5,823 | 23,720 | 29,543 |
| Financial derivative assets | 9,13 | 1,526 | 3,815 | – | 5,341 |
| | | 12,140 | 23,413 | 24,182 | 59,735 |
| **Financial Liabilities** | | | | | |
| Payables | 19 | 16,223 | 13,710 | 160 | 30,093 |
| Interest bearing liabilities | 20,24 | 9,878 | 13,758 | – | 23,636 |
| Financial derivative liabilities | 22,26 | 58,080 | 77,825 | – | 135,905 |
| | | 84,181 | 105,293 | 160 | 189,634 |

(i) Other cash includes $28.8m (2006: $nil) held in Euro and $14.5m (2006: $nil) held in Canadian dollars.
(ii) Available for sale financial assets includes $nil (2006: $23.7m) held in Canadian dollars.

NOTE 45: FINANCIAL INSTRUMENTS continued

**(d) Interest rate exposure**

The following table summarises interest rate risk for the consolidated entity, together with effective interest rates as at balance date.

| | NOTE | FLOATING INTEREST RATE $'000 | FIXED INTEREST RATE MATURING IN <1 YEAR $'000 | 1 TO 5 YEARS $'000 | >5 YEARS $'000 | NON INTEREST BEARING $'000 | TOTAL $'000 | AVERAGE INTEREST RATE FLOATING | FIXED |
|---|---|---|---|---|---|---|---|---|---|
| **07** | | | | | | | | | |
| **Financial Assets** | | | | | | | | | |
| Cash | 5 | 66,201 | 1,460 | – | – | – | 67,661 | 3.8% | 6.3% |
| Receivables | 6 | – | – | – | – | 16,358 | 16,358 | – | – |
| Available for sale financial assets | 8 | – | – | – | – | 13,480 | 13,480 | – | – |
| Financial derivative assets | 9,13 | – | – | – | – | 505 | 505 | – | – |
| | | 66,201 | 1,460 | – | – | 30,343 | 98,004 | | |
| **Financial Liabilities** | | | | | | | | | |
| Payables | 19 | – | – | – | – | 34,908 | 34,908 | – | – |
| Interest bearing liabilities | 20,24 | – | 3,367 | 4,330 | – | – | 7,697 | – | 6.2% |
| Financial derivative liabilities | 22,26 | – | 32,702 | 39,690 | – | – | 72,392 | – | 7.5% |
| | | – | 36,069 | 44,020 | – | 34,908 | 114,997 | | |
| **06** | | | | | | | | | |
| **Financial Assets** | | | | | | | | | |
| Cash | 5 | 7,234 | 6,758 | – | – | – | 13,992 | 4.7% | – |
| Receivables | 6 | – | – | – | – | 10,859 | 10,859 | – | – |
| Available for sale financial assets | 8 | – | – | – | – | 29,543 | 29,543 | – | – |
| Financial derivative assets | 9,13 | – | – | – | – | 5,341 | 5,341 | – | – |
| | | 7,234 | 6,758 | – | – | 45,743 | 59,735 | | |
| **Financial Liabilities** | | | | | | | | | |
| Payables | 19 | – | – | – | – | 30,093 | 30,093 | – | – |
| Interest bearing liabilities | 20,24 | – | 22,628 | 1,008 | – | – | 23,636 | – | 6.2% |
| Financial derivative liabilities | 22,26 | – | 71,847 | 64,058 | – | – | 135,905 | – | 7.2% |
| | | – | 94,475 | 65,066 | – | 30,093 | 189,634 | | |

NOTE 45: FINANCIAL INSTRUMENTS continued

### (e) Credit risk exposure

The Group's maximum exposures to credit risk at reporting date in relation to each class of recognised financial asset, other than derivatives, is the carrying amount of those assets as indicated in the Balance Sheets.

In relation to the derivative financial instruments, whether recognised or unrecognised, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The Group's maximum credit risk exposure in relation to these is as follows:

(i) Purchased gold put options – which is limited to their fair value as at the reporting date, being $0.5m (2006: $5.3m); and,

(ii) lease rate swaps – which is limited to their fair value at the reporting date, being $nil (2006: $0.05m).

The major geographic concentrations of credit risk arise from the location of the counterparties to the Group's financial assets as shown in the following table:

| | CONSOLIDATED | |
|---|---|---|
| | 07 | 06 |
| | $'000 | $'000 |
| **Location of credit risk** | | |
| United Kingdom | 5,688 | 3,496 |
| Ghana | 661 | 533 |
| Tanzania | 10,588 | 7,028 |
| Australia | 63,598 | 18,058 |
| Mali | 3,989 | 1,077 |
| | 84,524 | 30,192 |

Concentrations of credit risk on financial assets are indicated in the following table by percentage of the total balance receivable from counterparties in the specified categories:

| | CONSOLIDATED | |
|---|---|---|
| | 07 | 06 |
| | % | % |
| **Customer/industry classification** | | |
| Financial services | 69 | 26 |
| Mining industry | 28 | 66 |
| Other | 3 | 8 |
| | 100 | 100 |

The credit risk does not take into account the value of any collateral or security.

### (f) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Due to the dynamic of the underlying businesses, the Group's Financial Risk Management Committee aims at maintaining flexibility in funding by keeping committed credit lines available.

### (g) Fair values

The fair value of all the Group's financial instruments recognised in the financial statements approximates or equals their carrying amounts.

For details on how fair values are calculated for each class of financial instrument, refer to Note 1.

## NOTE 46: KEY MANAGEMENT PERSONNEL

The company has taken advantage of the relief provided by the Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the directors' report.

### (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

| | |
|---|---|
| M. Turner | General Manager - Operations |
| D. Cairns | General Manager - Project Development |
| G. Fitzgerald | General Manager - Finance & Administration and Company Secretary |
| M. Christie | General Manager - Exploration |

### (b) Compensation of key management personnel

| | CONSOLIDATED | | RESOLUTE MINING LIMITED | |
|---|---|---|---|---|
| | 07 $ | 06 $ | 07 $ | 06 $ |
| Short-term employee benefits | 1,997,747 | 1,839,139 | 200,715 | 204,872 |
| Post-employment benefits | 221,325 | 192,423 | 54,285 | 45,128 |
| Share-based payments | 26,092 | 29,376 | – | – |
| | **2,245,164** | **2,060,938** | **255,000** | **250,000** |

### (c) Details of options holdings of key management personnel are as follows:

| 2007 | BALANCE AT THE START OF THE YEAR | EXERCISED DURING THE YEAR | GRANTED DURING THE YEAR AS COMPENSATION | BALANCE AT THE END OF THE YEAR | VESTED AND EXERCISABLE AT THE END OF THE YEAR | FAIR VALUE OF OPTIONS AT EXERCISE DATE $ |
|---|---|---|---|---|---|---|
| DIRECTORS | | | | | | |
| P.Huston | - | - | - | - | - | - |
| P.Sullivan (i) | 2,000,000 | (2,000,000) | - | - | - | 2,470,000 |
| T.Ford | - | - | - | - | - | - |
| H.Price | - | - | - | - | - | - |
| OFFICERS | | | | | | |
| M.Turner | - | - | - | - | - | - |
| D.Cairns (iv) | 300,000 | - | - | 300,000 | 300,000 | - |
| G.Fitzgerald (ii) | 270,000 | (20,000) | - | 250,000 | 250,000 | 25,000 |
| M.Christie (iii) | 300,000 | - | - | 300,000 | 300,000 | - |

NOTE 46: KEY MANAGEMENT PERSONNEL continued

| 2006 | BALANCE AT THE START OF THE YEAR | EXERCISED DURING THE YEAR | GRANTED DURING THE YEAR AS COMPENSATION | BALANCE AT THE END OF THE YEAR | VESTED AND EXERCISABLE AT THE END OF THE YEAR | FAIR VALUE OF OPTIONS AT EXERCISE DATE $ |
|---|---|---|---|---|---|---|
| DIRECTORS | | | | | | |
| P.Huston | - | - | - | - | - | - |
| P.Sullivan | 2,000,000 | - | - | 2,000,000 | 2,000,000 | - |
| T.Ford | - | - | - | - | - | - |
| H.Price | - | - | - | - | - | - |
| OFFICERS | | | | | | |
| M.Turner (v) | 300,000 | (300,000) | - | - | - | 250,500 |
| D.Cairns | 300,000 | - | - | 300,000 | 300,000 | - |
| G.Fitzgerald | 270,000 | - | - | 270,000 | 270,000 | - |
| M.Christie | 300,000 | - | - | 300,000 | 200,000 | - |

(i) The options were granted on 11 December 2001. The fair value of the options at grant date was $0.04 per option. The total fair value of the options granted was $84,000. The exercise price of the options was $0.42 per option.
(ii) The options were granted on 20 September 2002. The fair value of the options at grant date was $0.11 per option. The total fair value of the options granted was $29,700. The exercise price of the options was $0.81 per option. On 17 September 2007, a further 250,000 were exercised at a price of $0.81 per option. These options were due to expire on 19 September 2007.
(iii) 100,000 options vested and became exercisable on 21 June 2007. These options were granted on 21 December 2004 with 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.
(iv) On 9 August 2007, 300,000 options were exercised at a price of $0.81 per option. These options were due to expire on 19 September 2007.
(v) The options were granted on 20 September 2002. The fair value of the options at grant date was $0.11 per option. The total fair value of the options granted was $33,000. The exercise price of the options was $0.81 per option.
(vi) No key management personnel options were granted or lapsed during the year.

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

| 2007 | BALANCE AT THE START OF THE YEAR | RECEIVED DURING THE YEAR ON THE EXERCISE OF OPTIONS | OTHER CHANGES DURING THE YEAR (i) | BALANCE AT THE END OF THE YEAR |
|---|---|---|---|---|
| DIRECTORS | | | | |
| P.Huston | 301,066 | - | - | 301,066 |
| P.Sullivan | 822,000 | 2,000,000 | (200,000) | 2,622,000 |
| T.Ford | 3,000 | - | - | 3,000 |
| H.Price | 10,000 | - | - | 10,000 |
| OFFICERS | | | | |
| M.Turner | - | - | - | - |
| D.Cairns | 42,000 | - | - | 42,000 |
| G.Fitzgerald | - | 20,000 | (20,000) | - |
| M.Christie | 30,000 | - | - | 30,000 |

## NOTE 46: KEY MANAGEMENT PERSONNEL continued

| 2006 | 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 | 1,066 | - | 300,000 | 301,066 |
| P.Sullivan | 822,000 | - | - | 822,000 |
| T.Ford | 3,000 | - | - | 3,000 |
| H.Price | 10,000 | - | - | 10,000 |
| OFFICERS | | | | |
| M.Turner | - | 300,000 | (300,000) | - |
| D.Cairns | 42,000 | - | - | 42,000 |
| G.Fitzgerald | - | - | - | - |
| M.Christie | - | - | 30,000 | 30,000 |

(i) These shares were acquired or sold at the prevailing market price, no amounts remain unpaid as at 30 June 2007.

## NOTE 47: SUBSEQUENT EVENTS

(i) In relation to the Summit litigation (refer Note 42(d)), on 3 August 2007, Summit, after having an independent committee obtain legal advice and review the commercial rationale for litigation, determined it to be in its best interests to discontinue the Proceedings and as a result, a Deed of Release and Settlement was executed by Summit Resources (Australia) Pty Ltd and the other parties to the Proceedings.

Subsequently, Areva NC (Australia) Pty Ltd ("Areva") (a wholly owned subsidiary of French company, Areva NC) applied to the Supreme Court of Western Australia to intervene in the Proceedings and act on behalf of Summit (under section 237 of the Corporations Act).

Areva obtained an order for access to Summit's records in connection with the settlement of the Proceedings and the Proceedings so that it could assess its prospects of success in its application to terminate the Deed of Release and Settlement and intervene on behalf of Summit in the Proceedings. Areva is now reviewing the information provided to it and will then consider whether and how to proceed.

RML is confident that at all times the disclosure obligations under the Isa Uranium Joint Venture Agreement have been complied with.

(ii) Resolute Pty Ltd ("RPL"), a wholly owned subsidiary of RML, has entered into an agreement with Avoca Resources Limited ("Avoca") to sell to them for $nil consideration a tenement located in the Higginsville region in Western Australia and the benefit of the Chalice General Purpose Lease. This tenement contains the tailings dams used by the Higginsville Gold Project in the 1990's. As part of the sale Avoca will take responsibility for all RPL's uncompleted rehabilitation obligations in the area. This includes replacement of all environmental performance bonds related to the Higginsville region, lodged with the Western Australian Department of Industry and Resources. Upon completion and settlement of this transaction, the removal of this liability from RPL's accounts will have approximately a A$2.5m positive impact on the Group's profit in the 2007/08 financial year.

# DIRECTORS' DECLARATION



In the opinion of the directors:

a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

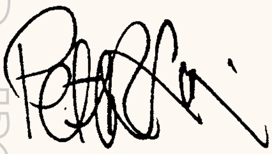
(ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2007 and of its performance as required by Accounting Standards, and as represented by the results of their performance for the financial year ended on that date;

b) 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,

c) the audited remuneration disclosures set out on pages 36 to 41 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

The directors have been given the declaration by the Chief Executive Officer and General Manager – Finance and Administration required by Section 295A of the *Corporations Act 2001*.

This declaration has been made in accordance with a resolution of the directors.



**P.R. Sullivan**
Director

Perth, Western Australia
28 September 2007

ERNST & YOUNG

The Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000
Australia

GPO Box M939
Perth WA 6843

Tel 61 8 9429 2222
Fax 61 8 9429 2436

**Independent auditor's report to the members of Resolute Mining Limited**

We have audited the accompanying financial report of Resolute Mining Limited (the company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" on pages 36 to 41 of the directors' report, as permitted by Corporations Regulation 2M.6.04.

*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 consolidated financial statements and notes, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the directors' report.

*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 and that the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

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.

GAB:KT:RESOLUTE:106

ERNST & YOUNG

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 and the remuneration disclosures, 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 financial position of Resolute Mining Limited and the consolidated entity at 30 June 2007 and of their performance for the year ended on that date; and

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

2. the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

3. the remuneration disclosures that are contained on pages 36 to 41 of the directors' report comply with Accounting Standard AASB 124 Related Party Disclosures.

Ernst & Young

Ernst & Young

Gavin A Buckingham

Gavin A Buckingham
Partner
Perth
28 September 2007

GAB:KT:RESOLUTE:106

## SUBSTANTIAL SHAREHOLDERS AT 21 SEPTEMBER 2007

| NAME | NUMBER OF ORDINARY SHARES | % OF ISSUED CAPITAL |
|---|---|---|
| Alliance Life Common Fund Ltd | 68,552,566 | 38.7% |
| Bond Street Custodians Limited ACF Officium Special Situations Fund | 15,222,541 | 6.7% |
| Acorn Capital Limited | 11,541,979 | 6.5% |
| Barclays Bank Plc and Carello Investments Limited | 16,721,230 | 7.2% |
| Commonwealth Bank of Australia and Subs. | 12,837,788 | 5.6% |
| | 124,876,104 | 64.7% |

## DISTRIBUTION OF SHAREHOLDINGS AS AT 21 SEPTEMBER 2007

| SIZE OF HOLDING | ORDINARY SHAREHOLDERS | % OF ISSUED CAPITAL |
|---|---|---|
| 1 – 1,000 | 1,053 | 0.21% |
| 1,001 – 5,000 | 1,826 | 2.11% |
| 5,001 – 10,000 | 591 | 1.99% |
| 10,001 – 100,000 | 596 | 7.11% |
| 100,001 – and over | 77 | 88.58% |
| Total shareholders | 4,143 | 100% |
| Number of shareholders with less than a marketable parcel | 378 | |

## VOTING RIGHTS

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

## TWENTY LARGEST SHAREHOLDERS AS AT 21 SEPTEMBER 2007

| NAME | NUMBER OF ORDINARY SHARES | % OF ISSUED CAPITAL |
|---|---|---|
| HSBC Custody Nominees | 51,105,549 | 22.03% |
| SAC All Ordinaries Index Fund | 31,267,412 | 13.48% |
| National Nominees Limited | 22,271,388 | 9.60% |
| Fitel Nominees Limited | 15,948,574 | 6.88% |
| Bond Street Custodians Limited | 13,500,000 | 5.82% |
| Avanteos Investments Limited (Symetry Retire) | 9,979,006 | 4.30% |
| Equity Trustees Limited | 8,823,157 | 3.80% |
| Pan Australian Nominees Pty Limited | 7,763,238 | 3.35% |
| ANZ Nominees Limited | 7,228,131 | 3.12% |
| J P Morgan Nominees Australia Limited | 5,682,308 | 2.45% |
| Avanteos Investments Limited (Symetry Delegates) | 3,436,350 | 1.48% |
| RBC Dexia Investor Services | 3,249,564 | 1.40% |
| Custodial Capital Management Pty Ltd | 2,701,000 | 1.16% |
| Citicorp Nominees Pty Ltd | 2,424,825 | 1.05% |
| Mr Peter Sullivan | 2,000,000 | 0.86% |
| NEFCO Nominees Pty Ltd | 1,407,200 | 0.61% |
| Citicorp Nominees Pty Ltd (Cwlth Bank Off Sup) | 1,272,917 | 0.55% |
| HSBC Custody Nominees Australia Limited | 933,962 | 0.40% |
| Mr David Matthew Guy | 882,500 | 0.38% |
| DMG Capital Pty Ltd | 850,000 | 0.37% |
| | 192,727,081 | 83.09% |
| Total held by twenty largest shareholders as a percentage of this class | | 83.09% |

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RESOLUTE MINING LIMITED

A.B.N. 39 097 088 689

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of the shareholders of Resolute Mining Limited (the "**Company**") will be held at 10.00 a.m. on Tuesday, 27 November 2007 at the Conference Centre, Level 8, Exchange Plaza, 2 The Esplanade, Perth, Western Australia.

**BUSINESS**

**1. Financial Statements and Reports**

To consider the financial report of the Company and the reports of the Directors and Auditor for the year ended 30 June 2007.

**2. Remuneration Report**

To adopt the Remuneration Report for the year ended 30 June 2007.
*(The vote on this resolution is advisory only and does not bind the directors or the Company. The Company's Remuneration Report, which commences on page 36 of the Resolute Mining Limited Annual Report, has been submitted to shareholders for consideration and adoption.)*

**3. Re-election of Director – Ordinary Resolution**

To consider, and if thought fit, elect as a Director Mr (Bill) Henry Thomas Stuart Price, who retires by rotation in accordance with the Company's constitution and being eligible offers himself for re-election.

**Determination of Shareholders Right to Vote**

For the purposes of the meeting, persons who are registered holders of ordinary shares as at 7.00pm Perth time on Friday, 23 November 2007 will be voting members.

BY ORDER OF THE BOARD

G. W. Fitzgerald
Company Secretary
Dated : 17 October 2007

# RESOLUTE MINING LIMITED
# (the "Company")
# ANNUAL GENERAL MEETING ON 27 NOVEMBER 2007
# PROXY FORM

The Secretary
Resolute Mining Limited
C/- Security Transfer Registrars Pty Ltd
PO Box 535, Applecross WA 6953
AUSTRALIA

I/We,..................................................................................of..............................................................……………..

...................................................................................……… being a member/members of the Company hereby appoint

…………………………………………….. of……………...............................…….................……………………….

or in that person's absence, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held on 27 November 2007, at 10.00am and at any meeting held subsequent and pursuant to an adjournment of that meeting.

This form is to be used in accordance with the directions below. Unless the proxy is directed, your proxy may vote as he/she thinks fit.

In respect of the items contained in the Notice of Meeting, I/We instruct the above proxy/proxies to vote :

| **Resolution** | **For** | **Against** | **Abstain** | **Chairman's Discretion** |
|---|---|---|---|---|
| 2. To adopt the Remuneration Report | ☐ | ☐ | ☐ | ☐ |
| 3. To re-elect Mr H.T.S. Price as a Director | ☐ | ☐ | ☐ | ☐ |

By marking the "Chairman's Discretion" box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of that item and that votes cast by him, other than as proxy holder, would be disregarded because of that interest. The Chairman intends to vote undirected proxies in favour of the resolutions.

**Appointment of a second proxy**
If appointing a second proxy, state the percentage of your voting rights applicable to the proxy appointed by this form. ☐ %

Shareholder Reference or CHESS Number ☐☐☐☐☐☐☐☐☐☐☐

DATED this ............ day of .......................................... 2007.

................................................................ ............................................................
Signature of member or Attorney Signature of joint member or Attorney

Or if a company:

Executed for and on behalf of ..................................................................……….
by its duly authorised officer(s),
in accordance with S.127 of
the Corporations Act 2001:

................................................................ ............................................................
Director / Sole Director Director / Secretary

A member entitled to attend and vote is entitled to appoint not more than two proxies to attend and, on a poll, to vote in his stead. Where two proxies are appointed, the appointment may specify the proportion or number of votes which each proxy may exercise. If it does not, then each proxy may exercise one-half of the votes. A proxy need not be a member of the Company.

To be effective, proxy forms must be either:
a) deposited at the office of Security Transfer Registrars, 770 Canning Highway, Applecross, WA 6153
b) returned by mail to Security Transfer Registrars – PO Box 535, Applecross WA 6953, or
c) faxed to the Company's share registry (Fax No. 08 9315 2233 and for overseas shareholders 618 9315 2233) not less than 48 hours before the time fixed for holding the Meeting.