RESOLUTE
MINING
LIMITED

ASX ANNOUNCEMENT

ACCOUNTING TREATMENT OF FINANCIAL INSTRUMENTS

Resolute Mining confirms that under the new Australian equivalents to International Financial Reporting Standards (AIFRS) it will be required to charge or credit to its Income Statement the change in the fair value of certain of its financial instruments.

For the six month period to 31 December 2005 this is expected to be a charge of approximately $49 million. It is important to understand that this is simply a change to the accounting treatment of these instruments and the unrealised loss in this period will be fully reversed in future periods through the reporting of $49 million of higher than realised profits in those periods.

This situation arises as a number of the financial instruments entered into by Resolute Mining do not meet the strict criteria to be classified as "effective hedges". Movements in the fair value of the effective hedges are not required to be accounted for through the Income Statement.

Resolute Mining's approach to hedging and the nature of the financial instruments it uses to manage the risk associated with adverse movements in the gold price has not changed over recent times. The hedge book has a mix of forward sales and put and call options that represent a commitment of a modest 20% of its reserve base.

These positions have been built up over the last few years to take advantage of the rising gold price and to protect the profit inherent in the reserve base, particularly that for the Ravenswood and Syama mines, which were acquired in a much lower gold price environment. Unfortunately, the AIFRS does not in this case allow the increased value of these reserves to be accounted for using a similar methodology to the financial instruments to provide some balance to the overall position.

Resolute Mining considers its gold price risk management to be prudent, conservative and sensible for its gold assets. As such it intends to continue with its hedging practices and instrument mix. The application of the AIFRS will therefore have the potential to produce considerable Income Statement volatility for the company in the future and produce results not indicative of its underlying operating earnings.

The Resolute Mining financial statements produced for each period will show clearly the charges and credits associated with these instruments to enable investors and analysts to better understand the normal operating earnings of the group.

Details of Resolute Mining's financial instruments at 31 December 2005 are provided below.

Gold Hedging	Forward Sales		Put Options Bought		Call Options Sold	
	Ounces	$	Ounces	$	Ounces	$
AUD's						
Y/E 30/6/06	285,000	600	40,000	527	60,000	675
Y/E 30/6/07	-	-	135,000	607	20,000	690
Y/E 30/6/08	-	-	160,000	639	-	-
Y/E 30/6/09	-	-	55,000	646	-	-
	285,000	600	390,000	617	80,000	679
USD's						
Y/E 30/6/06	166,000	385	5,000	430	75,000	493
Y/E 30/6/07	-	-	15,000	425	30,000	500
Y/E 30/6/08	-	-	105,000	443	-	-
Y/E 30/6/09	-	-	30,000	446	-	-
	166,000	385	155,000	441	105,000	495
Total	451,000		545,000		185,000	

PETER SULLIVAN
Chief Executive Officer

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