RESOLUTE
MINING
LIMITED

ASX ANNOUNCEMENT

APPENDIX 4E

PRELIMINARY FINAL REPORT

FINANCIAL YEAR ENDED 30 JUNE 2006

FINANCIAL PERFORMANCE

Resolute Mining Limited's consolidated net profit before tax and unrealised treasury losses for the year ended 30 June 2006 is $11.5m (year ended 30 June 2005 : $12.3m profit).

The profit result was enhanced by a strong spot gold price, but this was offset by lower head grades and higher costs at both the Golden Pride and Ravenswood gold mines.

The total Resolute Mining group gold production for the year was 290,749 ounces (2005 : 315,388 ounces) at an average cash cost of $518/oz (2005 : $428/oz). The Golden Pride gold mine in Tanzania, produced 145,043 ounces of gold in the 12 months ended 30 June 2006 at a cash cost of $418/oz (or US$312/oz) and the Ravenswood gold mine in Queensland, Australia, produced 145,706 ounces of gold at a cash cost of $617/oz (or US$461/oz).

The average accounting revenue price achieved per ounce of gold shipped during the year was $657/oz compared to the average gold spot price for the year of $708/oz.

The consolidated net profit before tax and unrealised treasury losses for the half-year ended 30 June 2006 was $13.5m (compared to the $2.0m loss for the half-year ended 31 December 2005). The second half was far more profitable than the first half primarily as a result of the higher average spot price of gold in the second half of the financial year.

The consolidated net loss after tax and unrealised treasury losses for the year ending 30 June 2006 of $77.4m has been adversely impacted by the $114.5m charge relating to unrealised treasury losses. As previously announced on 3 January 2006, due to the introduction on 1 July 2005 of the new Australian equivalents to International Financial Reporting Standards (AIFRS), Resolute has been required to charge to its Income Statement the change in the fair value of certain of its financial instruments. This is a non-cash charge to the Income Statement that will predominantly reverse in future reporting periods.

CASH AND BORROWINGS

As at 30 June 2006, Resolute Mining had $14.0m of cash, and liquid investments (including its 83% interest in Valhalla Uranium Ltd) with a market value at that time of $138m. Borrowings at period end totalled $23.6m.

The net operating cashflow reported in the Cash Flow Statement of $5.3m was after an outflow of $10m relating to the cut backs at Ravenswood and Golden Pride, and a further investment of $6m purchasing longer term gold put options. Cash reserves were reinvested into growth opportunities associated with the feasibility work at Syama, exploration in Australia, Tanzania, Mali and Ghana, and capital expenditure at Ravenswood and Golden Pride.

HEDGING

Details of Resolute's financial instruments have been provided in the recent June 2006 quarterly report. Approximately 20% of Resolute's gold reserves have been committed to hedging contracts, meaning that approximately 80% of its gold reserves fully participate in upward movements in the gold price.

Resolute, at this stage, does not propose to increase its committed gold hedging positions.

PALADIN OFFER TO ACQUIRE VALHALLA URANIUM SHARES

Under the terms of the offer, Valhalla Uranium shareholders will receive one Paladin Resources ordinary share in exchange for every 3.16 Valhalla Uranium shares held. Resolute has resolved to accept the offer in respect of its 83.3% Valhalla shareholding, subject to the release of its shares from escrow from the ASX, and no better offer being received. The Paladin offer is due to close on 15 September 2006.

OUTLOOK

Operations

Golden Pride is a mature operation that has consistently delivered above or in line with expectation over the life of the project. The re-optimisation of the Golden Pride pit during the year indicated a potential increase of around 0.7m ounces to the mineable gold resources and extended the mine life out to approximately eight years. The coming year is expected to deliver increased gold production as mining initially concentrates on the deeper, higher grade western end of the pit. Mill throughput is expected to be a bit lower in 2006/07 (compared to 2005/06) as a result of the ore to be treated being predominantly fresh (and harder) material. The increased input costs being experienced by the mining industry as a whole, combined with the higher cost per ounce associated with the additional ounces (which have a higher stripping ratio) arising from the pit re-optimisation are expected to cause an increase in cash costs per ounce in the coming and future years at Golden Pride.

Ravenswood's gold production and cash costs for the coming year are expected to be better than that achieved in the previous financial year. This expectation is related to the better grade "Area 5" zone ore body being mined in the coming year. In addition, further upside exists if early access to the higher grade Mt Wright underground ore can be gained during the coming year. The decision during the year to commit to the development of the Mt Wright underground deposit has given the Ravenswood operation a significant extension to its mine life. Results from Ravenswood continue to remain very sensitive to grade mined.

Based on current information, the Company is forecasting total production from the Golden Pride and Ravenswood mines of approximately 300,000 ounces of gold in the year ending 30 June 2007 and is targeting to keep cash costs at or below $570/oz.

Project Development

During the year, the Resolute Mining board gave the go ahead for the redevelopment of the Syama gold mine in Mali. This will deliver a third long life gold mine to the Resolute group. An update of the 2005 feasibility study was completed during the year which confirmed the robustness of the Syama project at current gold prices. The Syama project is based on a substantial ore body with a proven and probable reserve of 1.7m ounces and a further resource of 4.3m ounces beneath and adjacent to the open pit.

GRD Minproc has been appointed to provide the Engineering, Procurement and Construction Management services, and Resolute has recruited its key personnel for the construction phase of the project. Resolute continues to work on a number of options to fund the Syama redevelopment. Subject to funding being finalised, the US$120m project is on track to deliver its first gold production in the second half of calendar 2008.

The development of the Mt Wright underground deposit commenced during the year following the successful completion of a Feasibility Study earlier in the year. The project shows a strongly cash positive project with around 650,000 ounces of gold recoverable over an eight year mine life at an average cash cost of approximately $336 per ounce. Design work, equipment procurement and major site works have commenced and the decline is now 200m below surface, with progress currently in line with schedule and costs below budget. Subject to the continuation of the good progress made to date, first production ore is anticipated in the June 2007 quarter.

Exploration

The company continues to invest strongly in exploration of the very prospective tenure around each of its key assets. This continued investment has been driven by the success of the exploration program in the 2005/06 financial year which delivered resource increases at Golden Pride, the Tabakoroni Project in Mali and the Akoase Project in Ghana. The exploration programs will continue in the coming year with a number of promising targets around Golden Pride, Ravenswood and Syama still to be fully tested.

Overall, reserve increases and mine life extensions at Golden Pride and Ravenswood and the pending development of the Syama gold mine leave Resolute well placed to benefit from the strong gold price.

This report together with other general information on the Company and Quarterly Reports are available at www.resolute-ltd.com.au

Enquiries about this report may be directed to the undersigned or Greg Fitzgerald.

PETER SULLIVAN
Chief Executive Officer

5 September 2006

RESOLUTE
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A.C.N. 097 088 689

APPENDIX 4E

PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED 30 JUNE 2006

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APPENDIX 4E

REPORTING PERIOD

The reporting period is the year ended 30 June 2006 with the corresponding reporting period being for the year ended 30 June 2005.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results				A$'000
Revenues from continuing operations	up	13%	to	197,978
Profit before unrealised treasury loss and tax	down	7%	to	11,510
Loss from ordinary activities after tax attributable to members (Profit in the prior year)	down	n/a	to	-77,432

Dividends	Amount per security	Franked amount per security
Final dividend - no final dividend is proposed	n/a	n/a
Interim dividend	n/a	n/a
Record date for determining entitlements to the dividend	n/a	

The above results should be read in conjunction with the notes and commentary contained within this report.

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated 2006 $'000	2005 $'000
Continuing Operations			
Revenue from gold sales	2(a)	194,393	161,857
Cost of sales	2(b)	(172,293)	(155,836)
Gross profit		22,100	6,021
Other income	2(c)	3,585	13,489
Other expenses	2(d)	(11,678)	(4,289)
Profit from continuing operations before unrealised treasury loss, tax and finance costs		14,007	15,221
Finance costs	2(e)	(2,497)	(2,898)
Profit before unrealised treasury loss and tax		11,510	12,323
Treasury - unrealised losses		(114,460)	-
(Loss)/profit before tax		(102,950)	12,323
Income tax benefit	3	25,390	248
(Loss)/profit from continuing operations after income tax		(77,560)	12,571
Net loss attributable to outside equity interests		128	173
Net (loss)/profit attributable to members of Resolute Mining Limited		(77,432)	12,744
Earnings per share for (loss)/profit from continuing operations attributable to the ordinary equity shareholders of the Company:			
Basic earnings per share for (loss)/profit for the year (cents per share)		(33.87)	7.09
Diluted earnings per share for (loss)/profit for the year (cents per share)		(33.87)	7.02

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

BALANCE SHEET

AS AT 30 JUNE 2006

	Note	Consolidated 2006 $'000	Consolidated 2005 $'000
CURRENT ASSETS			
Cash and cash equivalents	4	13,992	36,144
Receivables	5	10,859	13,053
Inventories	6	29,902	24,990
Available for sale financial assets	7	29,543	-
Financial derivative assets	8	465	-
Deferred expenditure	9	21,821	2,857
Other	10	1,860	1,359
TOTAL CURRENT ASSETS		**108,442**	**78,403**
NON-CURRENT ASSETS			
Receivables	11	-	35
Other financial assets	12	-	7,054
Financial derivative assets	13	4,876	-
Mineral exploration and development interests	14	71,089	53,731
Property, plant and equipment	15	80,108	85,714
Deferred expenditure	16	21,199	39,171
Deferred tax asset		15,411	1,621
TOTAL NON-CURRENT ASSETS		**192,683**	**187,326**
TOTAL ASSETS		**301,125**	**265,729**
CURRENT LIABILITIES			
Payables	17	30,093	25,032
Interest bearing liabilities	18	10,839	17,926
Tax liabilities	19	10	103
Financial derivative liabilities	20	71,847	-
Provisions	21	3,717	8,290
TOTAL CURRENT LIABILITIES		**116,506**	**51,351**
NON-CURRENT LIABILITIES			
Payables	22	-	1,581
Interest bearing liabilities	23	12,797	11,849
Provisions	24	24,006	30,564
Financial derivative liabilities	25	64,058	-
Deferred tax liabilities		103	7,378
TOTAL NON-CURRENT LIABILITIES		**100,964**	**51,372**
TOTAL LIABILITIES		**217,470**	**102,723**
NET ASSETS		**83,655**	**163,006**
EQUITY			
Contributed equity	26	112,955	112,483
Reserves	27	(11,801)	(3,489)
(Accumulated losses) / retained profits	28	(26,695)	52,757
Parent entity interest in equity		**74,459**	**161,751**
Minority interest	29	**9,196**	**1,255**
TOTAL EQUITY		**83,655**	**163,006**

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

	Issued Capital	Retained Earnings	Foreign Currency Translation Reserve	Hedge Reserve Put Options	Hedge Reserve Forwards	Hedge Reserve Unearned Income	Other Reserves	Minority Interest	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total equity at the beginning of the financial year	112,483	52,757	(3,757)	-	-	-	268	1,255	163,006
Adjustment on adoption of AASB 132 and AASB 139.									
Reserves	-	-	-	(4,834)	(18,093)	9,637	2,022	-	(11,258)
Retained profits	-	(2,020)	-	-	-	-	-	-	(2,020)
Restated total equity at the beginning of the financial year	112,483	50,737	(3,757)	(4,834)	(18,093)	9,637	2,290	1,255	149,728
Exercise of options	480	-	-	-	-	-	-	-	480
Share issue costs	(8)	-	-	-	-	-	-	-	(8)
Currency translation differences	-	-	(1,021)	-	-	-	-	-	(1,021)
Share option reserve, net of tax	-	-	-	-	-	-	98	-	98
Hedge reserve put options, net of tax	-	-	-	2,884	-	-	-	-	2,884
Hedge reserve forwards, net of tax	-	-	-	-	(4,422)	-	-	-	(4,422)
Hedge reserve unearned income, net of tax	-	-	-	-	-	(4,239)	-	-	(4,239)
Unrealised gains/(losses) reserve, net of tax	-	-	-	-	-	-	9,646	-	9,646
Minority interest movement in share capital	-	-	-	-	-	-	-	7,991	7,991
Minority interest movement in reserves	-	-	-	-	-	-	-	307	307
Minority interest movement in retained profits	-	-	-	-	-	-	-	(485)	(485)
Total income/(expense) for the period recognised directly in equity	472	-	(1,021)	2,884	(4,422)	(4,239)	9,744	7,813	11,231
Loss for the period	-	(77,432)	-	-	-	-	-	128	(77,304)
Total income/(expense) for the period	472	(77,432)	(1,021)	2,884	(4,422)	(4,239)	9,744	7,941	(66,073)
As at 30 June 2006	112,955	(26,695)	(4,778)	(1,950)	(22,505)	5,398	12,034	9,196	83,655
As at 1 July 2004	71,442	40,013	-	-	-	-	-	1,511	112,966
Exercise of options	41,047	-	-	-	-	-	-	-	41,047
Share issue costs	(6)	-	-	-	-	-	-	-	(6)
Share option reserve	-	-	-	-	-	-	268	-	268
Currency translation differences	-	-	(3,757)	-	-	-	-	-	(3,757)
OEI movement in reserves	-	-	-	-	-	-	-	(82)	(82)
OEI movement in retained profits	-	-	-	-	-	-	-	(173)	(173)
Total income/(expense) for the period recognised directly in equity	41,041	-	(3,757)	-	-	-	268	(255)	37,297
Profit for the period	-	12,744	-	-	-	-	-	(1)	12,743
Total income/(expense) for the period	41,041	12,744	(3,757)	-	-	-	268	(256)	50,040
As at 30 June 2005	112,483	52,757	(3,757)	-	-	-	268	1,255	163,006

The above statement of equity should be read in conjunction with the following notes

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated 2006 $'000	Consolidated 2005 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		182,896	166,922
Payments to suppliers and employees		(175,104)	(154,584)
Interest received		996	331
Interest and other costs of finance paid		(1,586)	(1,867)
Income taxes paid		(1,914)	(900)
Net operating cash flows	35(b)	5,288	9,902
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(7,064)	(9,104)
Proceeds from sale of plant and equipment		88	169
Payments for investments		(3,044)	(550)
Proceeds from sale of investments		-	4
Expenditure on exploration and development areas		(19,807)	(20,413)
Proceeds on sale of exploration properties		250	20
Royalties received		846	-
Cash received on disposal of controlled entities		-	1,886
Net investing cash flows		(28,731)	(27,988)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of securities		8,472	41,047
Cost of issuing securities		(8)	(6)
Proceeds from borrowings		306	4,402
Repayment of borrowings		(8,156)	(8,595)
Repayment of lease liability		(275)	(211)
Net financing cash flows		339	36,637
Net (decrease)/increase in cash held		(23,104)	18,551
Cash assets held at the beginning of the year		36,144	19,274
Exchange rate adjustment		952	(1,681)
Cash assets held at the end of the year	35(a)	13,992	36,144

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

NOTES TO THE FINANCIAL STATEMENTS

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.

(a) Basis of Preparation

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

Compliance with IFRS

Australian Accounting Standards include AIFRS. Compliance with AIFRS ensures that the consolidated financial statements and notes of RML comply with International Financial Reporting Standards (IFRS).

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first Resolute Mining Limited ("RML") financial statements to be prepared in accordance with AIFRS. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of RML until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing RML 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP and AIFRS on the Group's equity and its net income are given in note 36.

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, and certain classes of property, plant and equipment.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of RML ("company" or "parent entity") as at 30 June 2006 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.

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 were 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 operation have been incorporated in the financial statements under the appropriate headings.

Joint venture entities
The interest in a joint venture partnership is accounted for in the consolidated financial statements using the equity method and is carried at cost by the parent entity. Under the equity method, the share of the profits and losses of the partnership is recognised in the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet.

Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Revenue recognition

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.

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

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 to unused tax losses.

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The carrying amount of deferred income tax assets is reviewed at each 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
Resolute Mining Limited 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 Sheet.

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

(h) Earnings per share ("EPS")

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

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

- costs of servicing equity (other than dividends) and 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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

From 1 July 2004 to 30 June 2005
The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139. For further information on previous AGAAP refer to the annual report for the year ended 30 June 2005.

Adjustments on transition date: 1 July 2005
The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost (refer below), fair value is the measurement basis. Fair value is exclusive of transaction costs. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 July 2005) changes to carrying amounts are taken to retained earnings or reserves.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

From 1 July 2005
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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the 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 and gold forward contracts to manage the risks associated with commodity price.

From 1 July 2004 to 30 June 2005
The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The Group has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139. For further information on previous AGAAP refer to the annual report for the year ended 30 June 2005.

Adjustments on transition date: 1 July 2005
The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that derivatives are measured on a fair value basis, with fair value gains/(losses) either taken to the income statement or an equity reserve (refer below). At the date of transition (1 July 2005) changes in the carrying amounts of derivatives are taken to retained earnings or reserves, depending on whether the criteria for hedge accounting are satisfied at the transition date.

From 1 July 2005
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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

AASB 6 Exploration for and Evaluation of Mineral Resources has been applied effective 1 July 2004.

(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

(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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 is 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.

(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 profit or loss when the liabilities are derecognised and as well as through the amortisation process. Treatment of borrowing costs is outlined in note 1(f).

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 Termination 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.

NOTES TO THE FINANCIAL STATEMENTS

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 Binomial 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.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

		Note	Consolidated 2006 $'000	2005 $'000
NOTE 2	**PROFIT/(LOSS) FROM CONTINUING OPERATIONS**			
(a)	Revenues from gold sales		194,393	161,857
(b)	Cost of sales			
	Cost of production		148,862	132,851
	Amortisation of exploration & development costs		3,432	3,413
	Depreciation of mine properties, plant & equipment		11,545	12,178
	Royalty		6,251	4,739
	Operational support costs		1,652	2,099
	Amortisation of rehabilitation asset		551	692
	Other cost of sales		-	(136)
	Total cost of sales		172,293	155,836
(c)	Other income			
	Profit on sale of plant and equipment		81	101
	Profit on sale of investments		-	4
	Profit on sale of controlled entity		-	2,193
	Profit on sale of exploration properties		-	20
	Interest income - other persons/corporations		1,011	421
	Net option premium		-	9,545
	Gold hedging gain		-	302
	Royalty income		2,162	846
	Other income		331	57
	Total other income		3,585	13,489
(d)	Other expenses from ordinary activities			
	Management and administration expenses		3,580	2,738
	Insurance costs		491	449
	Operating lease payments		319	359
	Foreign exchange gain		(126)	(1,003)
	Write down of mineral exploration and development costs		221	231
	Depreciation of non mine site assets		108	109
	Realised loss on sold gold call options		4,420	-
	Realised loss on bought gold put options		2,181	-
	Share based payments expense		256	268
	Other		228	1,138
	Total other expenses from ordinary activities		11,678	4,289
(e)	Borrowing costs			
	Interest and fees paid/payable to other entities		2,067	2,408
	Rehabilitation provision discount adjustment		430	490
	Total borrowing costs		2,497	2,898

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated	
	2006	2005
	$'000	$'000
NOTE 3 INCOME TAX		
(a) Income tax benefit attributable to continuing operations		
Current tax expense	1,688	249
Deferred tax (benefit)	(27,078)	(497)
Income tax (benefit) attributable to (loss)/profit from continuing operations	(25,390)	(248)
(b) Numerical reconciliation of income tax benefit to prima facie tax benefit		
(Loss)/profit from continuing operations before income tax benefit	(102,950)	12,323
Prima facie income tax (benefit)/expense at 30% (2005: 30%)	(30,885)	3,697
Tax effect of permanent differences:		
- derecognition/(recognition) of tax losses used to offset deferred tax liabilities	4,202	(778)
- recognition of tax losses to offset current year tax expense	(903)	(1,622)
- tax benefit of investment allowance	(3,702)	(3,807)
- current year losses incurred for which no deferred tax asset has been recognised	8,213	4,473
- effect of adoption of AASB 132 and AASB 139	(1,975)	-
- prior year over provision	-	(1,851)
- other	(340)	(360)
Income tax (benefit) attributable to (loss)/profit from continuing operations	(25,390)	(248)
(c) Amounts recognised directly in equity		
Amounts not recognised in the income statement but debited directly to equity	4,320	-

NOTE 4 CASH AND CASH EQUIVALENTS

	2006 $'000	2005 $'000
Cash at bank and in hand	7,233	34,593
Short term deposits	6,759	1,551
	13,992	36,144

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 $14m (2005:$36.1m).

NOTE 5 TRADE AND OTHER RECEIVABLES (CURRENT)

	2006 $'000	2005 $'000
Sundry debtors	10,879	10,443
Provision for doubtful debts	(170)	-
Deferred put option expenditure	-	2,515
Bullion on hand	150	95
	10,859	13,053

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated 2006 $'000	Consolidated 2005 $'000
NOTE 6 INVENTORIES (CURRENT)		
Gold in circuit	11,652	7,737
Consumables	14,906	12,656
Ore stockpiles	3,344	4,597
	29,902	24,990
NOTE 7 AVAILABLE FOR SALE FINANCIAL ASSETS		
Shares at fair value - listed	26,365	-
Share options at fair value - unlisted	3,178	-
	29,543	-

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 are reasonable and the most appropriate at the balance sheet date.

	Consolidated 2006 $'000	Consolidated 2005 $'000
NOTE 8 FINANCIAL DERIVATIVE ASSETS (CURRENT)		
Hedge asset - gold put options	416	-
Hedge asset - lease rate swap	49	-
	465	-
NOTE 9 DEFERRED EXPENDITURE (CURRENT)		
Deferred mining costs	21,821	2,857
	21,821	2,857
NOTE 10 OTHER CURRENT ASSETS (CURRENT)		
Prepayments	1,860	1,359
	1,860	1,359
NOTE 11 RECEIVABLES (NON-CURRENT)		
Term deposits	-	35
	-	35
NOTE 12 OTHER FINANCIAL ASSETS (NON CURRENT)		
Shares at cost - unlisted	-	22
Shares at cost - listed	-	7,032
	-	7,054

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated 2006 $'000	Consolidated 2005 $'000
NOTE 13 FINANCIAL DERIVATIVE ASSETS (NON CURRENT)		
Hedge asset - gold put options	4,876	-
	4,876	-

NOTE 14 MINERAL EXPLORATION AND DEVELOPMENT INTERESTS

The consolidated entity has gold mineral exploration and development costs carried forward in respect of areas of interest in the following phases:

	2006 $'000	2005 $'000
(a) Areas in Production (at cost)		
Balance at beginning of the year	19,745	20,742
- Acquired, disposed, revalued during the year	-	1,784
- Expenditure for the year	2,897	1,773
- Amount amortised during the year	(3,851)	(3,745)
- Foreign currency translation	145	(482)
- Other	286	(327)
Balance at the end of the year	19,222	19,745
(b) Areas in Development (at cost)		
Balance at beginning of the year	10,303	2,794
- Acquired, disposed, revalued during the year	-	5
- Expenditure for the year	3,564	8,056
- Amount written off during the year	(59)	(360)
- Amount amortised during the year	(132)	-
- Foreign currency translation	957	(192)
Balance at the end of the year	14,633	10,303
(c) Areas in Exploration and Evaluation (at cost)		
Balance at beginning of the year	23,683	20,451
- Acquired, disposed, revalued during the year	179	(6,461)
- Expenditure for the year	13,175	10,558
- Amounts written off during the year	(163)	(231)
- Foreign currency translation	369	(634)
- Other	(9)	-
Balance at the end of the year	37,234	23,683
Total costs carried forward	71,089	53,731

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

NOTE 15 PROPERTY, PLANT AND EQUIPMENT

	Note	Consolidated 2006 $'000	Consolidated 2005 $'000
Buildings - at cost or fair value		5,248	4,955
Accumulated depreciation		(2,637)	(1,795)
Net carrying amount	15(a)	2,611	3,160
Mine properties, plant and equipment - at cost or fair value		114,720	106,396
Accumulated depreciation		(39,741)	(26,482)
Net carrying amount	15(a)	74,979	79,914
Motor vehicles - at cost or fair value		2,107	1,968
Accumulated depreciation		(1,461)	(1,035)
Net carrying amount	15(a)	646	933
Office equipment - at cost or fair value		1,302	947
Accumulated depreciation		(646)	(342)
Net carrying amount	15(a)	656	605
Plant & equipment under lease at capitalised cost		1,536	1,230
Accumulated amortisation		(320)	(128)
Net carrying amount	15(a)	1,216	1,102
Total property, plant & equipment			
Cost		124,913	115,496
Accumulated depreciation & amortisation		(44,805)	(29,782)
Total written down amount		80,108	85,714

15 (a) Reconciliations

	2006	2005
Buildings		
As at 1 July, net of accumulated depreciation and impairment	3,160	2,450
Additions	35	112
Acquisitions/revaluations	-	1,397
Depreciation expense	(602)	(736)
Net foreign exchange movement	18	(63)
At 30 June, net of accumulated depreciation and impairment	2,611	3,160
Mine properties, plant and equipment		
As at 1 July, net of accumulated depreciation and impairment	79,914	88,945
Additions	6,273	5,010
Acquisitions/revaluations	-	(1,251)
Disposals	-	(68)
Depreciation expense	(10,154)	(10,812)
Net foreign exchange movement	(1,054)	(1,910)
At 30 June, net of accumulated depreciation and impairment	74,979	79,914

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated 2006 $'000	Consolidated 2005 $'000
NOTE 15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
Motor vehicles		
As at 1 July, net of accumulated depreciation and impairment	933	677
Additions	187	601
Acquisitions/revaluations	-	89
Disposals	(7)	-
Depreciation expense	(487)	(418)
Net foreign exchange movement	20	(16)
At 30 June, net of accumulated depreciation and impairment	646	933
Office equipment		
As at 1 July, net of accumulated depreciation and impairment	605	675
Additions	263	286
Acquisitions/revaluations	-	(60)
Depreciation expense	(218)	(193)
Net foreign exchange movement	6	(103)
At 30 June, net of accumulated depreciation and impairment	656	605
Plant & equipment under lease - at capitalised cost		
As at 1 July, net of accumulated depreciation and impairment	1,102	-
Additions	306	1,230
Amortisation expense	(192)	(128)
At 30 June, net of accumulated depreciation and impairment	1,216	1,102

The useful life of the assets were estimated as follows for both 2005 and 2006:

Motor vehicles	3 years
Office equipment	3 years
Plant and equipment	6 years

Refer to Note 18 for information on encumbrances over property, plant and equipment.

NOTE 16 DEFERRED EXPENDITURE (NON-CURRENT)

	2006 $'000	2005 $'000
Deferred mining costs	21,199	30,082
Deferred put option expenditure	-	8,918
Other	-	171
	21,199	39,171

NOTE 17 PAYABLES (CURRENT)

	2006 $'000	2005 $'000
Trade creditors and accruals	29,862	24,721
Other creditors	231	311
	30,093	25,032

NOTE 18 INTEREST BEARING LIABILITIES (CURRENT)

	2006 $'000	2005 $'000
Lease liability (c)	281	215
Borrowings (a)	8,609	17,572
Accrued interest on borrowings	-	9
Gold loan (b)	1,949	130
	10,839	17,926

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

NOTE 18 INTEREST BEARING LIABILITIES (CURRENT) (CONTINUED)

(a) Included within this balance is a finance facility entered into between Resolute (Tanzania) Limited ("RTL"), a subsidiary of Resolute Mining Limited ("RML") and Standard Bank Plc to fund the Golden Pride Upgrade Project completed in 2002. In the prior year, there was a US$9m facility (drawn down to US$7.5m) which was a revolving line of credit with an expiration date of June 2006. There was no fixed schedule of repayments, but the full amount was to be repaid on or before maturity, subject to compliance with covenant ratios.

The US$7.5m (or A$10.1m) Golden Pride debt was refinanced in June 2006 and is now payable in 3 instalments between June 2007 and December 2007 (subject to compliance with covenant ratios). No repayments were made during the current financial year. As part of the extension of this credit facility, RTL replaced Mabangu Mining Limited ("MML") as the borrower, whilst MML remains on as a guarantor.

The loan and hedging facilities are secured by a fixed and floating charge over the assets of MML and RTL, a floating charge over the cash held by MML and RTL, a share mortgage over Resolute Limited's shareholding in RTL, a share mortgage over RTL's shareholding in MML and a mortgage over the key tenure held by RTL. The facilities are project recourse only.

Also included within this balance is the loan facility with NM Rothschild & Sons and ABN AMRO Bank N.V. ("Ravenswood Financiers") which partially funded the US$45m acquisition of the Ravenswood Gold Mine in 2004.

The original loan facility was for an overall debt of A$20m, with A$4m repaid in the previous financial year and a further A$8m of repayments were made in the current financial year. The remaining balance as at 30 June 2006 is A$8m which is to be repaid at a rate of A$2m per quarter until June 2007.

In 2004, an A$6m performance bond facility was provided by the Ravenswood financiers to the Resolute group. The term of this facility is to 30 June 2007.

The security over the loan, performance bond and hedging facilities provided comprises the following:

(i) fixed and floating charges over all of the current and future assets of Carpentaria Gold Pty Ltd ("CG Pty Ltd"), including the project, bank accounts, hedging contracts and material ongoing agreements;
(ii) mortgage over RML's shares in CG Pty Ltd;
(iii) mortgages over CG Pty Ltd's key mining tenements;
(iv) assignment of rights under insurance policies; and
(v) tripartite agreements covering material project operating agreements.

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

(b) 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 July 2006 and September 2008.

(c) During the previous financial year, Carpentaria Gold Pty Ltd (a wholly owned subsidiary of RML) entered into a finance lease with Esanda Finance Corporation Limited ("Esanda") 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 current financial year, Carpentaria Gold Pty Ltd entered into a hire purchase agreement with Esanda for the purchase of underground mining equipment which will be used in the development of the Mt Wright project. Monthly instalments are required under the terms of the contract which has an expiration date of June 2009.

	Consolidated	
	2006	2005
	$'000	$'000
NOTE 19 TAX LIABILITIES (CURRENT)		
Tax payable	10	103

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated 2006 $'000	Consolidated 2005 $'000
NOTE 20 FINANCIAL DERIVATIVE LIABILITIES (CURRENT)		
Hedge liability - gold forwards	59,541	-
Hedge liability - gold call options	12,306	-
	71,847	-

(a) The current hedging liabilities are partially secured and partially unsecured. All of Carpentaria Gold Pty Lt's and RTL's hedge liabilities are secured by their respective financiers. All of Resolute Limited's hedge liabilities are unsecured. The unsecured current balance amounts to $22.5m

(b) Included in the hedge liabilities balance above is an amount of $13.1m relating to undesignated hedging commitments that do not mature in the next 12 months. As a result of the maturity dates being > 12months, these liabilities would ordinarily be disclosed as non current liabilities, as RML and its subsidiaries are under no obligation to make any payments relating to these hedging contracts for at least 12 months. However, due to a technical accounting requirement in AASB 101, these liabilities have been disclosed in these Financial Statements as a current liability.

	2006 $'000	2005 $'000
NOTE 21 PROVISIONS (CURRENT)		
Employee entitlements	2,162	2,215
Dividend payable	170	170
Site restoration	1,385	1,605
Unearned income	-	4,300
	3,717	8,290
NOTE 22 PAYABLES (NON-CURRENT)		
Other creditors	-	1,581
NOTE 23 INTEREST BEARING LIABILITIES (NON-CURRENT)		
Borrowings (a)	9,269	7,855
Gold loan (b)	2,520	3,041
Lease liability (c)	1,008	953
	12,797	11,849

(a) Included within this balance is the non-current portion of the Golden Pride finance facility. Refer Note 18(a) for further information.

(b) Included within this balance is the non-current portion of the loan for the purchase of gold put options. Refer Note 18(b) for further information.

(c) Included in this balance is the non-current portion of the item described at Note 18(c).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated 2006 $'000	Consolidated 2005 $'000
NOTE 24 PROVISIONS (NON-CURRENT)		
Site restoration	23,828	23,506
Unearned income	-	6,874
Employee entitlements	178	184
	24,006	30,564

NOTE 25 FINANCIAL DERIVATIVE LIABILITIES (NON-CURRENT)

	2006	2005
Hedge liability - gold forwards	64,058	-
	64,058	-

(a) The non current hedging liabilities are fully secured.

NOTE 26 CONTRIBUTED EQUITY

(a) Contributed equity

	2006	2005
Ordinary share capital		
229,034,059 ordinary fully paid shares (2005: 228,493,309)	112,955	112,483

(b) Movements in contributed equity

	2006	2005
Balance at the beginning of the year	112,483	71,442
Exercise of 9,750 listed options at 80 cents per share	8	-
Exercise of 476,000 unlisted options at 81 cents per share	386	-
Exercise of 55,000 unlisted options at $1.57 per share	86	-
Exercise of 51,131,136 listed options at 80 cents per share	-	40,905
Exercise of 176,000 unlisted options at 81 cents per share	-	142
Cost of issuing securities	(8)	(6)
Balance at the end of the year	112,955	112,483

(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 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
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 27 RESERVES

	2006	2005
Foreign currency translation reserve	(4,778)	(3,757)
Share based payment reserve	366	268
Hedge reserve - gold put options	(1,950)	-
Hedge reserve - gold forwards	(22,505)	-
Hedge reserve - unearned income	5,398	-
Unrealised gain/(loss) reserve	11,668	-
	(11,801)	(3,489)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated 2006 $'000	Consolidated 2005 $'000
NOTE 28 (ACCUMULATED LOSSES) / RETAINED PROFITS		
Retained profits at the beginning of the year	52,757	40,013
Adjustment on adoption of AASB 132 and AASB 139	(2,020)	-
Net profit/(loss) attributable to members	(77,432)	12,744
Retained profits/(loss) at the end of the financial year	(26,695)	52,757
NOTE 29 MINORITY INTEREST		
Analysis of outside equity interest in controlled entities:		
- Share capital	8,903	770
- Reserves	(121)	(427)
- Retained profits	414	912
	9,196	1,255

NOTE 30 SEGMENT INFORMATION

(a) Primary segment - geographical

The consolidated entity operates in four geographical segments.

2006

Geographical Segments	Tanzania A$'000	Ghana A$'000	Mali A$'000	Australia A$'000	Unallocated A$'000	Consolidated A$'000
Revenue						
Sales to customers (refer Note (i))	91,624	-	-	102,952	(183)	194,393
Other revenue	145	80	-	2,367	993	3,585
Segment revenue	91,769	80	-	105,319	810	197,978
Results						
Segment results	19,215	(1,058)	-	(46,120)	(74,987)	(102,950)
Consolidated entity loss from ordinary activities before income tax benefit						(102,950)
Income tax benefit						25,390
Consolidated entity loss from ordinary activities after income tax benefit						(77,560)
Assets						
Segment assets	81,591	6,049	43,753	122,713	47,019	301,125
Liabilities						
Segment liabilities	57,386	810	9,791	111,717	37,766	217,470
Other Segment Information						
Depreciation and amortisation	7,149	103	-	8,053	139	15,444
Acquisition of non-current assets	8,383	2,617	3,263	10,415	4,587	29,265
Other non-cash expenses	(36)	(189)	-	-	3	(222)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

NOTE 30 SEGMENT INFORMATION (CONTINUED)

2005

Geographical Segments	Tanzania A$'000	Ghana A$'000	Mali A$'000	Australia A$'000	Unallocated A$'000	Consolidated A$'000
Revenue						
Sales to customers (refer Note (i))	71,135	-	-	90,722	-	161,857
Other revenue	38	3	-	3,163	10,285	13,489
Segment revenue	71,173	3	-	93,885	10,285	175,346
Results						
Segment results	4,088	(2,524)	-	1,974	8,785	12,323
Consolidated entity profit from ordinary activities before income tax benefit						12,323
Income tax benefit						248
Consolidated entity profit from ordinary activities after income tax benefit						12,571
Assets						
Segment assets	77,423	3,817	38,826	100,642	45,021	265,729
Liabilities						
Segment liabilities	39,608	1,680	7,738	28,231	25,466	102,723
Other Segment Information						
Depreciation and amortisation	6,844	73	-	9,366	109	16,392
Acquisition of non-current assets	7,339	1,576	8,288	10,122	7,190	34,515
Other non-cash expenses	(66)	293	-	1	3	231

Note (i): Gold is sold on the global market with proceeds being realised at point of sale.

(b) Secondary segment - business

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

	Mining and Exploration of Gold 2006 A$'000	2005 A$'000
Revenue		
Segment revenue	197,978	175,346
Assets		
Segment assets	301,125	265,729
Other Segment Information		
Acquisition of non-current assets	29,265	34,515

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

NOTE 31 SUBSEQUENT EVENTS

(a) Paladin Resources takeover offer for Valhalla Uranium Ltd

On 11 July 2006 Resolute Mining Limited's 83.3% owned subsidiary, Valhalla Uranium Ltd ("Valhalla Uranium"), announced it had received notice of a takeover offer from Paladin Resources Limited ("Paladin Resources"). The offer is 1 Paladin share for every 3.16 Valhalla Uranium shares.

Valhalla Uranium has entered into a Break Fee Agreement with Paladin Resources that in certain limited circumstances provides for a payment of $1.2 million to Paladin Resources.

Resolute Mining Limited's shareholding in Valhalla Uranium is subject to escrow under the ASX Listing Rules. Accordingly the holders of at least 50% of the non escrowed Valhalla Uranium shares must accept the Paladin Resources offer before the Resolute Mining Limited holding can be released from escrow. (unless the ASX agrees otherwise).

With respect to the Isa Uranium Joint Venture Agreement with Summit Resources (Aust) Pty Ltd ("Summit"), on 28 July 2006 Summit served an originating summons on Resolute Limited and Mt Isa Uranium Pty Ltd ("Mt Isa") for an order of discovery relating to an alleged breach of the confidentiality clause in the Isa Uranium JV Agreement. On 28 July 2006, Valhalla Uranium lodged an ASX announcement stating Mt Isa, Valhalla Uranium Ltd (which is the holding company of Mt Isa) and Resolute Limited (which is a company related to Mt Isa and Valhalla Uranium) have complied with all of the terms (including obligations of confidentiality and deny that any of them are in breach of the Isa Uranium Joint Venture Agreement).

On 16 August 2006, Valhalla Uranium announced that it had lodged a Target's Statement with the Australian Securities and Investments Commission in connection with Paladin Resources offer to acquire all of the issued and outstanding shares of Valhalla Uranium. The Target's Statement was dispatched to Valhalla Uranium shareholders on 18 August 2006.

The directors of Valhalla Uranium have unanimously recommended that shareholders accept the Paladin Resources' offer in the absence of a superior offer.

NOTE 32 CONTINGENT LIABILITIES

(a) Restoration and Rehabilitation

All of the consolidated entity's exploration and mining areas are subject to restoration and rehabilitation requirements in accordance with the conditions of the licences issued by the relevant authorities. The directors believe that the consolidated entity is making sufficient provision in its accounts to meet future restoration and rehabilitation obligations. As at 30 June 2006, a provision for future restoration and rehabilitation of $25.2 million has been provided for in the accounts of the consolidated entity. Restoration and rehabilitation activity performed as part of the ongoing operations is expensed as it is incurred.

(b) 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.

(c) 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.

(d) VAT on Imported Duties

The Tanzanian Revenue Authority ("TRA") have made an assessment on Resolute (Tanzania) Limited ("RTL") (a subsidiary of Resolute Mining Limited) for US$2.2m (or A$2.9m) in relation to their belief that RTL is in technical breach of the reporting/ /claiming for VAT on the importation of services in Tanzania. RTL are in the process of appealing to the Tax Revenue Appeal Board against the assessment, and pursuant to the appeals process, has lodged a US$0.75m deposit (i.e. one third of the disputed amount) with the TRA. Based on advice received from RTL's tax advisors, the directors strongly dispute the validity of the assessment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

NOTE 32 CONTINGENT LIABILITIES (CONTINUED)

(e) Tanzanian Tax Assessment

In 2005, RTL (owner of the Golden Pride gold mine in Tanzania) 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 was lodged by RTL in 2005 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.

NOTE 33 CONTINGENT ASSETS

Challenger/Dominion Royalty

Resolute will receive A$20 per ounce for every ounce of future gold production in relation to the Challenger project in the Gawler Craton region of South Australia.

NOTE 34 EARNINGS PER SHARE

	Consolidated 2006	2005
Basic earnings per share		
(a) (Loss)/profit used in calculation of basic EPS ($'000)	(77,432)	12,744
(b) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	228,622	179,772
(c) Basic EPS (cents per share)	(33.87)	7.09
Diluted earnings per share		
(d) (Loss)/profit used in calculation of dilutive EPS ($'000)	(77,432)	12,744
(e) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	228,622	179,772
Weighted average of notional shares used in determining diluted EPS	-	1,878
Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted EPS	228,622	181,650
(f) Number of potential ordinary shares that are not dilutive and hence not included in calculation of diluted EPS	-	735
(g) Diluted EPS (cents per share)	(33.87)	7.02

As at 30 June 2006, options on issue are not considered dilutive as the impact of including them would be to decrease the loss per share.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

NOTE 35 NOTES TO THE STATEMENT OF CASH FLOWS

		Consolidated	
		2006	2005
(a) Reconciliation of Cash			
Cash at the end of the year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:			
Cash at bank and on hand	4	7,233	34,593
Short term deposits	4	6,759	1,551
		13,992	36,144

At 30 June 2006, the consolidated entity had $14m in cash of which $1.4m is subject to certain restrictions pursuant to the group's performance bond credit facility agreements. The restrictions involve Resolute 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 as defined in AASB 1026.

(b) Reconciliation of Net Profit/(Loss) from Ordinary Activities After Income Tax to the Net Cash Flows from Operating Activities

	2006	2005
Net profit/(loss) from ordinary activities after income tax	(77,560)	12,571
Add/(Deduct) Non-Cash Items:		
Write down of mineral exploration and development costs	221	231
Depreciation and amortisation of property, plant and equipment	11,653	12,287
Amortisation of exploration and development costs	3,432	3,413
Rehabilitation expense	981	1,048
Share based payments expense	256	268
Profit on sale of property, plant and equipment	(81)	(101)
Profit on sale of investments	-	(2,197)
Profit on sale of exploration properties	-	(20)
Foreign exchange (gain)	(126)	(1,003)
Bad debts expense	85	-
Provision for employee entitlements	(80)	(73)
Unearned income	(4,478)	-
Other	(599)	(362)
Changes in Operating Assets and Liabilities:		
Receivables	2,229	(4,188)
Inventories	(4,912)	(1,635)
Financial derivatives	105,273	-
Prepayments	(501)	1,203
Deferred expenditure	(10,252)	(13,839)
Payables	3,480	(486)
Provision for taxation	(93)	(1,388)
Provisions	(600)	(291)
Deferred tax balances	(23,040)	1,019
Unearned income	-	3,445
Cash Flows from Operating Activities	5,288	9,902

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

NOTE 36 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

Introduction

From 1 July 2005, the consolidated entity prepares its financial statements in accordance with Australian Equivalents to International Financial Reporting Standards ("AIFRS"). Due to the requirement to publish comparative information for the previous corresponding period, the effective date for transition is 1 July 2004.

AASB 1 Transitional Exemptions

The rules for the first time adoption of AIFRS are set out in AASB 1 "First-Time Adoption of Australian Equivalents to International Reporting Standards". In general, a company is required to determine its AIFRS accounting policies and apply these retrospectively to determine its opening balance sheet at 1 July 2004 (Transitional Balance Sheet), under AIFRS. The standard allows a number of exemptions to this general principle to assist companies as they transition to reporting under AIFRS.

The consolidated entity has made its election in relation to the transitional exemptions allowed by AASB 1 "First-Time Adoption of Australian Equivalents to International Financial Reporting Standards" to:

(1) Not restate comparative information for AASB 132 "Financial Instruments: Presentation and Disclosure" and AASB 139 "Financial Instruments Recognition and Measurement";

(2) Not retrospectively apply AASB 3 "Business Combinations";

(3) Use previous AGAAP revaluations of items of property, plant and equipment as deemed cost at the date of transition;

(4) Restate the cumulative foreign translation differences that were disclosed as a component of equity at the date of transition to zero; and

(5) Not apply AASB 2 "Share-Based Payment" to equity instruments that were granted after 7 November 2002 that vested before 1 January 2005.

Impact of Adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under previous Australian Generally Accepted Accounting Principles ("AGAAP") are illustrated below.

(i) Reconciliation of total equity as presented under previous AGAAP to that under AIFRS

	Notes	Consolidated	
		1-Jul-04	30-Jun-05
		$' 000	$' 000
Total equity under previous AGAAP		**115,178**	**165,790**
Adjustments to equity:			
Derecognition of revenue	(a)	(945)	(402)
Recognition of rehabilitation asset (net)	(b)	4,456	2,513
Recognition of provision for rehabilitation	(c)	(6,558)	(4,881)
Foreign currency translation reserve	(d)	(18,810)	(18,479)
Recognition of share-based payment expense	(e)	-	(268)
Increase/(decrease) in deferred tax balances	(f)	836	(14)
		94,156	144,259
Adjustments to other reserves:			
Foreign currency translation reserve	(d)	18,810	18,479
Option reserve	(e)	-	268
Total equity under AIFRS		112,966	163,006

(a) Under AASB 118 "Revenue", gold sales are recognised when the entity has transferred the significant risks and rewards of ownership to the buyer. This resulted in a change in the group's previous accounting policy which recognised revenue when the product is ready for dispatch to a gold refinery. The Group has elected to recognise revenue when the gold is shipped from the mine site.

(b) Under AASB 116 "Property, Plant and Equipment", the cost of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site in which it is located. This resulted in a change in the group's previous accounting policy which did not include the cost of dismantling and removing the item and restoring the site in which it is located when measuring property, plant and equipment. This asset is also subject to depreciation which is charged to the income statement over the life of mine.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

NOTE 36 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (CONTINUED)

(c) Under AASB 137 "Provisions, Contingent Liabilities and Contingent Assets", the rehabilitation provision should be measured at the best estimate of the expenditure required to settle the present obligation. This resulted in a change to the group's previous accounting policy which recognised the rehabilitation obligation required at the cessation of a particular mine-site gradually over the mine's life of production.

(d) Under AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards", the cumulative translation differences for all foreign operations are deemed to be zero and are netted off against opening retained earnings. Any subsequent transition (1 July 2004) movements are due to foreign currency movements adjusted AIFRS assets and liabilities.

(e) Share-based payment costs are charged to the income statement under AASB 2 "Share-based Payments", but not expensed under AGAAP.

(f) AASB 112 "Income Taxes" requires the Group to use a balance sheet liability method, rather than the income statement method which recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base.

The above changes resulted in a change in deferred tax balances under AIFRS as follows:

	Consolidated	
	1-Jul-04	**30-Jun-05**
	$' 000	**$' 000**
Retained earnings	836	(14)
Increase/(decrease) in deferred tax balances	836	(14)

(ii) Reconciliation of profit after tax under AGAAP to that under AIFRS

	Notes	Consolidated Year ended 30-Jun-05 $' 000
Profit after tax as previously reported		**13,915**
Revenue recognition	As above - (a)	993
Amortisation of rehabilitation asset	As above - (b)	(692)
Rehabilitation provision discount adjustment	A	(490)
Adjustments to rehabilitation expense	A	136
Recognition of share-based payment expense	As above - (e)	(268)
Adjustments to income tax expense	As above - (f)	(850)
Profit under AIFRS		12,744

(A) In addition to point (b) above, under AIFRS, the present value of rehabilitation obligations is recognised as a liability and the cost of future restoration is capitalised as part of the relevant project. The capitalised cost is depreciated over the life of the project and the provision is accreted periodically as the discounting of the liability unwinds. The unwinding of the discount is recorded as a finance cost. The impact at the end of each transitional period is to reduce the rehabilitation provision, reflecting the difference between the previously recorded value under AGAAP and the present value recorded under AIFRS.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

NOTE 36 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (CONTINUED)

(iii) Comparative information regarding financial instruments

The consolidated entity has elected not to restate comparative information for financial instruments within the scope of AASB 132 "Financial Instruments: Disclosure and Presentation" and AASB 139 "Financial Instruments: Recognition and Measurement", as permitted on the first time adoption of AIFRS. The effect of changes in the accounting policies for financial instruments and the balance sheet as at 1 July 2005 is shown below:

	Consolidated		
	30-Jun 2005 $' 000	Effect of adoption $' 000	1-Jul 2005 $' 000
CURRENT ASSETS			
Cash and cash equivalents	36,144	-	36,144
Receivables	13,053	-	13,053
Inventories	24,990	-	24,990
Financial derivative assets	-	215	215
Deferred expenditure	2,857	-	2,857
Other	1,777	-	1,777
TOTAL CURRENT ASSETS	78,821	215	79,036
NON-CURRENT ASSETS			
Receivables	35	-	35
Available for sale financial assets	-	9,504	9,504
Other financial assets	7,054	(7,054)	-
Financial derivative assets	-	19	19
Mineral exploration and development interests	53,730	-	53,730
Property, plant and equipment	85,714	-	85,714
Deferred expenditure	39,171	-	39,171
Other	1,622	(1,622)	-
TOTAL NON-CURRENT ASSETS	187,326	847	188,173
TOTAL ASSETS	266,147	1,062	267,209
CURRENT LIABILITIES			
Payables	25,032	-	25,032
Interest bearing liabilities	18,199	-	18,199
Tax liabilities	103	-	103
Financial derivative liabilities	-	11,508	11,508
Provisions	8,290	-	8,290
TOTAL CURRENT LIABILITIES	51,624	11,508	63,132
NON-CURRENT LIABILITIES			
Payables	1,581	-	1,581
Interest bearing liabilities	11,994	-	11,994
Provisions	30,563	-	30,563
Financial derivative liabilities	-	2,478	2,478
Deferred tax liabilities	7,379	354	7,733
TOTAL NON-CURRENT LIABILITIES	51,517	2,832	54,349
TOTAL LIABILITIES	103,141	14,340	117,481
NET ASSETS	163,006	(13,278)	149,728
EQUITY			
Parent entity interest:			
Contributed equity	112,483	-	112,483
Reserves	(3,489)	(11,258)	(14,747)
Retained profits/(accumulated losses)	52,757	(2,020)	50,737
Parent entity interest in equity	161,751	(13,278)	148,473
Outside equity interests in equity	1,255	-	1,255
TOTAL EQUITY	163,006	(13,278)	149,728

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

NOTE 36 **IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS (CONTINUED)**

The main adjustments necessary that would make the comparative financial statements comply with AASB 132 and AASB 139 are listed below. Similar adjustments were made at 1 July 2005 to restate the opening financial position of the consolidated entity to a position consistent with the accounting policies specified in Note 1.

(i) the recognition and measurement of all derivatives (including embedded derivatives at fair value);

(ii) the recognition in profit or loss of the movement in the fair value of derivatives which did not qualify for hedge accounting or were not designated as hedging instruments;

(iii) the transfer of deferred hedging gains and losses recognised as assets and liabilities arising from previous AGAAP to the hedging reserve or if applicable, the unrealised gains/losses reserve;

(iv) the derecognition of other deferred hedging gains and losses recognised as assets and liabilities; and

(v) the recognition of any current or deferred taxes in relation to the adjustments described above.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

NOTE 37 ISSUED AND QUOTED SECURITIES AT END OF CURRENT PERIOD

	Total Number	Number Quoted	Issue Price Per Security	Amount Paid Up Per Security
Ordinary securities				
As at 30 June 2006	229,034,059	229,034,059		
Changes during current period				
Increases through exercise of unlisted options	476,000	476,000	$0.81	$0.81
Increases through exercise of unlisted options	55,000	55,000	$1.57	$1.57
Increases through exercise of listed options	9,750	9,750	$0.80	$0.80

	Total Number	Number Quoted	Exercise Price	Expiry Date
Options				
As at 30 June 2006	2,000,000	-	$0.42	10/12/06
	848,000	-	$0.81	19/09/07
	525,000	-	$1.57	21/12/09
	405,000	-	$1.28	23/03/11
Changes during current period				
Exercise of unlisted options during the current period	(426,000)	-	$0.81	19/09/07
Exercise of unlisted options during the current period	(50,000)	-	$0.81	13/08/08
Unlisted options lapsed during the current period	(35,000)	-	$0.81	13/08/08
Exercise of unlisted options during the current period	(55,000)	-	$1.57	21/12/09
Unlisted options lapsed during the current period	(155,000)	-	$1.57	21/12/09
Issue of unlisted options during the current period	405,000	-	$1.28	23/03/11

NOTE 38 ANNUAL MEETING

The annual meeting will be held as follows:

Place	To be advised
Date	To be advised
Time	To be advised
Approximate date the annual report will be available	Late October 2006

NOTE 39 COMPLIANCE STATEMENT

This report has been prepared in accordance with AASB Standards, other AASB authoritive pronouncements and Urgent Issues Group Consensus Views.

This report is based on accounts that are in the process of being audited.

PETER SULLIVAN
Chief Executive Officer
5 September 2006