



ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2011

ASX Code: RNI

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The directors present their report together with the financial report of Resource and Investment NL (the Company or RNI), for the year ended 30 June 2011 and the auditor's report thereon.

## 1. Directors

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

| Name                                               | Period of Directorship          |
|----------------------------------------------------|---------------------------------|
| Mr Miles A Kennedy - <i>Non-Executive Chairman</i> | Director since 7 September 2006 |
| Mr John R Hutton - <i>Non-executive Director</i>   | Director since 12 January 1999  |
| Mr Thomas J Mann - <i>Non-executive Director</i>   | Director since 27 April 2010    |

The qualifications, experience and other directorships of the directors in office at the date of this report are:

|                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Miles A Kennedy                                                 | Non-Executive Chairman                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Experience and expertise                                        | Mr Kennedy was a lawyer. He has held directorships of Australian listed resource companies for the past 27 years. He was the founding Chairman of Macraes Mining Company Ltd and has extensive experience in the management of public companies. He lives in Perth, Western Australia.                                                                                                                                                                              |
| Other current company directorships                             | Chief Executive Director of Lonrho Mining Limited (since Sept 2008).<br>Chairman of MOD Resources Limited<br>Chairman of Marine Produce Australia Limited (since June 2008)                                                                                                                                                                                                                                                                                         |
| Former listed company directorships in last three years         | Non-Executive Chairman of Sandfire Resources NL (Aug 2007 to Dec 2009).<br>Non-executive Chairman of Indago Resources Ltd (Aug 2009 to Sept 2009).<br>Non-executive director of Pangea Diamondfields Plc (2005 to 2009).                                                                                                                                                                                                                                            |
| John R Hutton                                                   | Non-Executive Director                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Experience and expertise                                        | Mr Hutton was a professional AFL footballer and has spent many years successfully prospecting in Western Australia. He is a director of Marine Produce Australia Limited as well as a number of successful private companies involved in the resources and pearling industries and is closely involved in the management of a highly successful pearl farm, producing Australian South Sea Pearls.                                                                  |
| Former/current listed company directorships in last three years | Currently a Director of Brumby Resources Limited and formerly Non-executive Director of Sandfire Resources NL (July 2007 to April 2010).                                                                                                                                                                                                                                                                                                                            |
| Thomas J Mann                                                   | Non-Executive Director                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Experience and expertise                                        | Thomas Mann has over 30 years experience in financial markets and global trade. He began his career in the financial services industry as a stockbroker working in both Sydney and London. He then began a global trading company with operations in the USA, Malaysia, Thailand, Indonesia and Australia. More recently he has been involved in capital raising initiatives and strategic development programs for small to mid-size public and private companies. |
| Former listed company directorships in last three years         | Non-executive Chairman of Medical Australia Limited (Non-executive Director since February 2006; appointed Non-executive Chairman June 2008) until March 2010.                                                                                                                                                                                                                                                                                                      |

## 2. Company secretary

Ms Jean Mathie holds the position of Company Secretary and was appointed to the position in November 2001. Ms Mathie also holds the position of Company Secretary for Lonrho Mining Limited.

## 3. Directors' meetings

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

|                 | Board Meetings |   |
|-----------------|----------------|---|
|                 | A              | B |
| Miles A Kennedy | 2              | 2 |
| Thomas J Mann   | 2              | 2 |
| John R Hutton   | 2              | 2 |

A – Number of meetings attended. B – Number of meetings held during the time the director held office during the year.

#### **4. Principal activities and review of operations**

The principal activity of the Company during the financial year was the exploration and evaluation of mineral tenements in Western Australia.

##### **Review of Projects**

RNI's exploration focus continues to be on the Company's flagship Doolgunna Project, which is located 3km southeast of the spectacular DeGrussa copper-gold discoveries made by Sandfire Resources NL.

RNI recently commenced an extensive drilling program at Doolgunna. The Company also has ongoing exploration programs at its Three Rivers and Fortnum West Projects, which are also located in Western Australia's eastern Gascoyne region.

##### *Doolgunna*

RNI acquired an option to acquire 100% of the 21km<sup>2</sup> Doolgunna lease in April 2010, enabling the Company to secure a strategic position in one of Australia's most exciting emerging mineral provinces.

Sandfire Resources has reported a combined resource of 14.33 Mt grading 4.6% copper and 1.6g/t gold at its neighbouring DeGrussa deposits and has recently commenced mining activities.

The DeGrussa deposits are VMS (volcanogenic massive sulphide)-style bodies located within basaltic and sedimentary rocks (Narracoota Formation) of the Proterozoic-aged, Bryah Basin. The size and grade of the DeGrussa system, combined with the tendency for VMS deposits to occur in clusters, has made the Doolgunna region a focus for intense exploration activity. RNI's Doolgunna Project covers similar lithologies to those recorded in the DeGrussa area, and the Company believes the exploration potential of its Doolgunna Project area to host equivalent copper-gold deposits is extremely high.

RNI commenced an extensive drilling program at Doolgunna in early May 2011 following the receipt of statutory and Aboriginal Heritage approvals. The drilling program is evaluating both VMS copper-gold targets and vein-style gold deposits.

This drilling program is the culmination of an intensive 15-month exploration program which covered the entire Doolgunna Project area. This included surface mapping, an airborne magnetic and radiometric survey, detailed soils geochemistry and a moving loop, transient electromagnetic (MLTEM) survey. The results from this surface exploration program enabled RNI's geological team to establish a total of 24 priority RC and diamond drilling targets in 16 discrete locations within the Project area.

An initial program of 950 holes comprising both RC and diamond drilling was approved by the RNI board. By late August 2011, about 150 RC drill holes had been completed on two copper-gold and two vein-style gold deposits.

The drilling of all targets at Doolgunna is to be undertaken in stages with a preliminary phase designed to determine general stratigraphy over each target and establish mineralisation controls. The scope and extent of additional drilling will depend on the geology and assay results achieved from the preliminary drilling phase.

In addition to the drilling program, RNI is also proposing to collect several bulk samples from palaeo-channels in the area. The palaeo-channels targeted have shown indications that they may contain significant coarse gold. The bulk samples will test this.

RNI's drilling program commenced at the Salmon Prospect, which is one of several vein-style gold targets at Doolgunna. In this area previous drilling had identified significant gold mineralisation within an east-west oriented, sub-vertical quartz vein system. The earlier drilling had only examined the gold bearing structure to a depth 40m and the RNI drilling program was designed to examine the extent and consistency of the mineralisation.

Preliminary drilling results indicate that the commercial gold grades at Salmon Prospect continue at depth and with the mineralised structure apparently coherent and consistently mineralised.

The DGC-3 target covered prominent MLTEM anomalies located in the northern section of the Doolgunna area. Drilling on this feature demonstrated that this anomaly was caused by sulphide-rich, graphitic shales. The RC drilling at DGC-3 recorded very strong water flows from silicified sandstones beneath the black shales. As a consequence, one of the deeper anomalies identified from the MLTEM survey could not be reached with this method of drilling. RNI plans to use deeper diamond drilling to test the remaining MLTEM anomaly.

The DGC 13-14-M4 area is located in the south-eastern corner of the tenement and comprises several MLTEM and magnetic anomalies associated with relatively high soil copper values. Drilling in this area encountered a thick sequence of basalts, basalt breccias, dolerites and sediments that are highly reminiscent of the massive sulphide-bearing succession at DeGrussa.

#### **4. Principal activities and review of operations (contd)**

By late August 2011, the drilling program had moved to the Tony's Find gold target on the southern boundary of the Doolgunna lease. Drilling of other anomalies identified in the Doolgunna area will continue throughout the September and December quarters of 2011.

##### *Three Rivers*

The Three Rivers Project includes two granted Exploration Licences covering an area of about 170km<sup>2</sup>. The project lies about 35km north of DeGrussa and 15km northwest of the Plutonic Gold Mine. The tenements lie predominantly within Proterozoic sediments of the Bangemall Group; with large sections of the Project area covered by recent alluvial sediments related to the Gascoyne River. RNI believes the area has potential to host significant gold and/or base metal mineralisation.

Since securing options over the leases in July 2010, RNI has completed detailed geological mapping, aeromagnetic and radiometric surveys over the Three Rivers tenements, along with a 6,600-sample, regional soil sampling program that covered most of the Project area.

On 2 August 2011, RNI announced it had extended its option over the Three Rivers Project until 15 December 2012 to continue its exploration programs. Consideration paid for the extension comprised \$50,000 in cash (plus GST) and the issue of 200,000 new RNI shares.

##### *Fortnum West*

The Fortnum West Project was acquired by RNI late in March 2011 and comprises a single Exploration Licence (E52/2568) covering an area of about 250km<sup>2</sup>. The Project is located in the Peak Hill Goldfield, about 120km north of Meekatharra.

Fortnum West lies immediately to the west of the cluster of gold deposits that formed Perilya Ltd's Fortnum gold operations. The Fortnum gold deposits are structurally controlled and occur on either side of the major Fortnum Fault. The field produced has produced about 500,000 ounces of gold from a number of open pit and underground operations.

During the June Quarter RNI completed a detailed airborne magnetic and radiometric survey over the area and commenced regional geological mapping.

##### *Yule River*

Under a Joint Venture Agreement with Brumby Resources NL, RNI holds the exclusive right to carry out exploration and mining activities on alluvial deposits on tenements covered by the Yule River Project located in the Pilbara Region of Western Australia. The Yule River Project is currently under review.

##### *Review of financial condition*

The Company recorded a loss of \$2,810,183 for the year ended 30 June 2011 (2010: loss of \$360,270).

As at 30 June 2011, the Company had a net working capital surplus of \$6,700,584 (2010: net working capital surplus of \$622,471), represented significantly by cash and cash equivalent assets of \$6,796,149. The Company's net asset position was \$9,025,108 (2010: \$944,881).

#### **5. Significant changes in the state of affairs**

In the opinion of the directors there were no significant changes in the state of affairs of the Company that occurred during the financial year, other than those described in this report under 'Principal activities and review of operations'.

#### **6. Environmental regulations**

The Company's exploration activities are subject to various environmental regulations. The Board is responsible for the regular monitoring of environmental exposures and compliance with environmental regulations.

The Company is committed to achieving a high standard of environmental performance and conducts its activities in a professional and environmentally conscious manner and in accordance with applicable laws and permit requirements. The Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Company.

The directors have considered the recently enacted National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the directors have determined that the NGER Act will have no effect on the Company for the current financial year and the Company for the subsequent financial year. The directors will reassess this position as and when the need arises.

## 7. Dividends

The directors have not recommended the declaration of a dividend. No dividends were paid or declared during the current or prior period.

## 8. Events subsequent to reporting date

### *Shares issued*

On 2 August 2011 the Company announced it had extended its option over the two licences which comprise the Three Rivers Project. Consideration for the extension comprised a \$50,000 (plus GST) cash payment and the issue of 200,000 fully paid RNI ordinary shares to Imic Pty Ltd

## 9. Likely developments

Comments on expected results of certain operations of the Company are included in this financial report under section 4, Principal activities and review of operations.

## 10. Directors' interests

The relevant interest of each director in the shares and options over such instruments issued by the Company, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

|                 | Fully Paid<br>Ordinary shares | Options expiring<br>25 Nov 2013 |
|-----------------|-------------------------------|---------------------------------|
| Miles A Kennedy | 16,770,000                    | 1,000,000                       |
| John R Hutton   | 6,972,460                     | 1,000,000                       |
| Thomas J Mann   | 1,000,000                     | 1,000,000                       |

Each option carries the right to subscribe for one fully paid ordinary share in Resource & Investment NL.

## 11. Share options

### *Unissued shares under option*

At the date of this report unissued ordinary shares of the Company under option are:

| Expiry date      | Exercise Price | Number of<br>shares   |
|------------------|----------------|-----------------------|
| 7 August 2012    | \$0.40         | 520,000               |
| 25 November 2013 | \$1.00         | 4,000,000             |
| 17 May 2016      | \$1.00         | 2,300,000             |
|                  |                | <hr/> 6,820,000 <hr/> |

The options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

### *Share options issued*

The following options over ordinary shares were issued by the Company during or since the end of the financial year.

| Expiry date   | Exercise Price | Number of<br>shares |
|---------------|----------------|---------------------|
| 7 August 2012 | \$0.40         | 2,000,000           |
| 25 Nov 2013   | \$1.00         | 4,000,000           |
| 17 May 2016   | \$1.00         | 2,300,000           |

## 11. Share options (contd)

### *Shares issued as a result of the exercise of options*

The following number of ordinary shares was issued by the Company as a result of the exercise of options during or since the end of the financial year.

| Expiry date   | Exercise Price | Number of shares |
|---------------|----------------|------------------|
| 28 June 2013  | \$0.12         | 1,933,334        |
| 7 August 2012 | \$0.40         | 1,480,000        |

### *Share options expired*

The following options over ordinary shares expired during or since the end of the financial year.

| Expiry date | Exercise Price | Number of shares |
|-------------|----------------|------------------|
| 24 Nov 2010 | \$0.90         | 550,000          |
| 7 Sept 2011 | \$1.50         | 1,500,000        |

## 12. Remuneration report - audited

### *12.1 Principles of compensation*

Remuneration is referred to as compensation throughout this report.

Key management personnel (KMP) have authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel comprise the directors of the Company and executives for the Company and include the five most highly remunerated Company executives.

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

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. Compensation packages include a mix of fixed compensation, equity-based compensation, performance-based compensation as well as employer contributions to superannuation funds.

Shares and options may only be issued to directors subject to approval by shareholders in general meeting.

The Board has no established retirement or redundancy schemes.

Other than the directors, no other person is concerned in, or takes part in, the management of the Company or has the authority and responsibility for planning, directing and controlling the activities of the Company. As such, during the financial year, the Company did not have any person, other than directors, that would meet the definition of "Key Management Personnel" for the purposes of AASB124 *Company Executive or Relevant Group Executive* for the purposes of section 300A of the Corporations Act 2001 ("Act").

### *Fixed compensation*

Fixed compensation consists of base compensation as well as employer contributions to superannuation funds. Compensation levels are reviewed annually by the Board through a process that considers individual and overall performance of the Company. In addition, external consultants provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the market place.

### *Performance linked compensation (Short-term incentive bonus)*

In considering the Company's strategic objectives the Board may integrate certain performance linked short-term incentives (STIs) into key management personnel compensation packages.

Performance linked compensation primarily include STIs and are considered by the Board as and when projects are delivered and are entirely at the Board's discretion. The measures chosen are designed to align the individual's reward to the achievement of the Company's strategies and goals and to reward key management personnel for meeting or exceeding their personal objectives. .

No bonuses were paid during the current financial year.

## 12. Remuneration report – audited (contd)

### 12.1 Principles of compensation (contd)

#### Equity based compensation (*Long-term incentive bonus*)

The Board has introduced a number of equity-based long-term incentives (LTIs) to promote continuity of employment and to provide additional incentive to key management personnel to increase shareholder wealth. LTIs are provided as options over ordinary shares of the Company and are provided to key management personnel based on their level of seniority and position within the Company. Options may only be issued to directors subject to approval by shareholders in general meeting.

#### (i) *Issue of Directors' Options (approved in general meeting 25 November 2010)*

As approved by shareholders in general meeting held on 25 November 2010, the Company issued 3,000,000 unlisted options to subscribe for ordinary fully paid shares in the Company at any time on or before 25 November 2013 at an exercise price of \$1.00 each.

There are no voting or dividend rights attached to the options and options issued under the plan were issued for no consideration. Voting rights will be attached to the ordinary issued shares when the options have been exercised. Each option is convertible to one fully paid ordinary share and the options were issued to the following directors:

| Director        | Number of options |
|-----------------|-------------------|
| Miles A Kennedy | 1,000,000         |
| John R Hutton   | 1,000,000         |
| Thomas Mann     | 1,000,000         |
|                 | <u>3,000,000</u>  |

#### Short-term and long-term incentive structure and consequences of performance on shareholder wealth

Given the Company's principal activity during the course of the financial year consisted of exploration and evaluation, the Board has given more significance to service criteria instead of market related criteria in setting the Company's incentive schemes. Accordingly, at this stage the Board does not consider the Company's earnings or earning measures to be an appropriate key performance indicator. The issue of options as part of the remuneration package of directors is an established practice for listed exploration companies and has the benefit of conserving cash whilst appropriately rewarding the directors. In considering the relationship between the Company's remuneration policy and the consequences for the Company's shareholder wealth, changes in share price are analysed.

The following table outlines the Company's and Group's respective earnings and share price from the period 1 July 2006 to 30 June 2011.

|                         | 30 Jun 07     | 30 Jun 08     | 30 Jun 09   | 30 Jun 10   | 30 Jun 11     |
|-------------------------|---------------|---------------|-------------|-------------|---------------|
| Net result (loss)       | (\$2,799,131) | (\$3,167,050) | \$4,677,938 | (\$360,270) | (\$2,810,183) |
| Closing ASX share price | \$0.280       | \$0.065       | \$0.025     | \$0.155     | \$1.29        |

In the opinion of the Board, the Company's earnings, as listed above, are largely irrelevant for assessing the Company's performance during the exploration and evaluation phase and have limited consequence on shareholder wealth.

#### Service contracts

It is the Company's policy that service contracts for key management personnel are unlimited in term but capable of termination and that the Company retains the right to terminate the contract immediately, by providing sufficient notice.

#### Non-executive directors

Total compensation for all non-executive directors are set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies. Non-executive directors' fees are presently limited to \$250,000 per annum, excluding director services charged under management or consulting contracts.

Non-executive directors do not receive performance related compensation. Options issued to non-executive directors are provided as an incentive to promote continuity of service and are not performance based.

## 12. Remuneration report – audited (contd)

### 12.1 Principles of compensation (contd)

Directors' fees cover all main Board activities. The Board has no established retirement or redundancy schemes in relation to non-executive directors.

### 12.2 Directors' and executive officers' remuneration (Company and Consolidated)

Details of the nature and amount of each major element of remuneration of each director of the Company are:

|                                         |      | Short term    | Superannuation benefits | Equity settled share based payments | Total   | Proportion of remuneration performance related | Value of options as proportion of remuneration |
|-----------------------------------------|------|---------------|-------------------------|-------------------------------------|---------|------------------------------------------------|------------------------------------------------|
|                                         |      | Salary & fees |                         | Options (A)                         |         |                                                |                                                |
| Directors                               |      | \$            | \$                      | \$                                  | \$      | %                                              | %                                              |
| Miles A Kennedy, Chairman               | 2011 | 95,000        | 25,000                  | 254,665                             | 374,665 | -                                              | 68                                             |
|                                         | 2010 | -             | -                       | 72,293                              | 72,293  | -                                              | 100                                            |
| John R Hutton                           | 2011 | 55,046        | 4,954                   | 254,665                             | 314,665 | -                                              | 81                                             |
|                                         | 2010 | -             | -                       | 72,293                              | 72,293  | -                                              | 100                                            |
| Thomas J Mann                           | 2011 | 20,800        | 39,200                  | 254,665                             | 314,665 | -                                              | 81                                             |
|                                         | 2010 | -             | -                       | -                                   | -       | -                                              | -                                              |
| Peter AG Pynes (resigned 27 April 2010) | 2010 | -             | -                       | 72,293                              | 72,293  | -                                              | 100                                            |

Notes in relation to the table of directors' and executive officers' remuneration

- (A) The fair value of the options are calculated at the date of grant using the Black-Scholes option valuation model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. Further details of the issue are included in section 12.3 of the Directors' Report.

### 12.3 Equity instruments

Options refer to options over ordinary shares of Resource & Investment NL and are exercisable on a one-for-one basis.

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

|                 | Number of options granted during 2011 | Grant date  | Fair value per option at grant date (\$) | Exercise price per option (\$) | Expiry date | Number of options vested during 2011 |
|-----------------|---------------------------------------|-------------|------------------------------------------|--------------------------------|-------------|--------------------------------------|
| Directors       |                                       |             |                                          |                                |             |                                      |
| Miles A Kennedy | 1,000,000                             | 25 Nov 2010 | 0.255                                    | \$1.00                         | 25 Nov 2013 | 1,000,000                            |
| John R Hutton   | 1,000,000                             | 25 Nov 2010 | 0.255                                    | \$1.00                         | 25 Nov 2013 | 1,000,000                            |
| Thomas Mann     | 1,000,000                             | 25 Nov 2010 | 0.255                                    | \$1.00                         | 25 Nov 2013 | 1,000,000                            |

Options issued during the reporting period vested on grant date, being 25 November 2010. No options were forfeited by key management persons during the reporting period.

#### 12.3.1 Modifications of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

## 12. Remuneration report – audited (contd)

### 12.3.2 Exercise of options granted as compensation

During the reporting period, no shares were issued on exercise of options previously granted as compensation.

### 12.3.3 Analysis of movement in options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person is detailed below.

| Director / Company Executive | Granted in year<br>\$ (A) | Value of options<br>exercised in year \$<br>(B) |
|------------------------------|---------------------------|-------------------------------------------------|
| Miles A Kennedy              | 254,665                   | -                                               |
| John R Hutton                | 254,665                   | -                                               |
| Thomas Mann                  | 254,665                   | -                                               |

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

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

## 13. Indemnification and insurance of officers and auditors

### Indemnification

The Company indemnifies each of its directors and company secretary. The Company indemnifies each director or officer to the maximum extent permitted by the Corporations Act 2001 from liability to third parties, except where the liability arises out of conduct involving lack of good faith, and in defending legal and administrative proceedings and applications for such proceedings.

The Company must use its best endeavours to insure a director or officer against any liability, which does not arise out of a conduct constituting a wilful breach of duty or a contravention of the Corporations Act 2001. The Company must also use its best endeavour to insure a director or officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal.

The Company has not entered into any agreement with its current auditors indemnifying them against any claims by third parties arising from their report on the financial report.

The directors of the Company are not aware of any proceedings or claim brought against Resource and Investment NL as at the date of this report.

### Insurance

The Company does not hold cover in respect of directors' and officers' liability and legal expenses' insurance, for current and former directors and officers of the Company.

## 14. Non-audit services

During the year Somes & Cooke, the Company's auditor, did not perform any services other than their statutory audits.

In the event that non-audit services are provided by Somes & Cooke, the Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the Corporations Act 2001. These procedures include:

- non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Company to ensure they do not impact the integrity and objectivity of the auditor; and
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

#### 14. Non-audit services (contd)

Details of the amounts paid to the auditor of the Company and their related practices for audit services provided during the year are set out below.

|                                                       | 2011<br>\$ | 2010<br>\$ |
|-------------------------------------------------------|------------|------------|
| Audit services:                                       |            |            |
| Audit and review of financial reports (Somes & Cooke) | 26,250     | 21,000     |
|                                                       | 26,250     | 21,000     |

#### 15. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 10 and forms part of the directors' report for the financial year ended 30 June 2011.

This report is made with a resolution of the directors.



**JOHN HUTTON**  
**DIRECTOR**

Dated at Subiaco this 30 day of September 2011

#### Competent Persons Statement

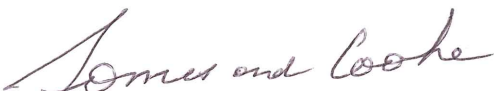
The information in this report which relates to exploration results, mineral resources or ore reserves is based on information compiled by David Jones BSc (Hons) MSc of Ascidian Prospecting Pty Ltd, who is a Corporate Member of the Australasian Institute of Mining and Metallurgy. Mr Jones is a consultant to RNI and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which it is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves. Mr Jones consents to the inclusion in the document of the matters based on this information in the form and context in which it appears.

## Auditor's Independence Declaration

To those charged with governance of Resources and Investment NL

As auditor for the audit of Resources and Investment NL for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

  
Somes and Cooke



Kevin Somes

Partner

30 September 2011



|                                                                                                            | Note | 2011<br>\$         | 2010<br>\$       |
|------------------------------------------------------------------------------------------------------------|------|--------------------|------------------|
| <b>Continuing operations</b>                                                                               |      |                    |                  |
| Administrative expenses                                                                                    |      | (801,332)          | (115,910)        |
| Impairment of exploration assets                                                                           | 3    | (41,300)           | (12,335)         |
| Impairment of financial assets                                                                             |      | (35,279)           | (16,160)         |
| Employee share based payments                                                                              | 16   | (1,994,298)        | (216,880)        |
| <b>Results from operating activities</b>                                                                   |      | <b>(2,872,209)</b> | <b>(361,285)</b> |
| Finance income                                                                                             |      | 62,026             | 1,015            |
| Finance expenses                                                                                           |      | -                  | -                |
| <b>Net finance income (expense)</b>                                                                        | 5    | <b>62,026</b>      | <b>1,015</b>     |
| <b>Profit (loss) before income tax</b>                                                                     |      | <b>(2,810,183)</b> | <b>(360,270)</b> |
| Income tax benefit (expense)                                                                               | 6    | -                  | -                |
| <b>Profit (loss) from continuing operations</b>                                                            |      | <b>(2,810,183)</b> | <b>(360,270)</b> |
| <b>Other comprehensive income</b>                                                                          |      |                    |                  |
| Currency translation differences                                                                           |      | -                  | -                |
| Foreign currency translation reserve transferred to Income Statement on disposal of discontinued operation |      | -                  | -                |
| <b>Other comprehensive income for the period, net of tax</b>                                               |      |                    | -                |
| <b>Total comprehensive income for the period</b>                                                           |      | <b>(2,810,183)</b> | <b>(360,270)</b> |
| <b>Profit (loss) attributable to:</b>                                                                      |      |                    |                  |
| Equity holders of the parent                                                                               |      | (2,810,183)        | (360,270)        |
| Minority interests                                                                                         |      | -                  | -                |
| <b>Profit (loss) for the period</b>                                                                        |      | <b>(2,810,183)</b> | <b>(360,270)</b> |
| <b>Total comprehensive income attributable to:</b>                                                         |      |                    |                  |
| Equity holders of the parent                                                                               |      | (2,810,183)        | (360,270)        |
| Minority interests                                                                                         |      | -                  | -                |
| <b>Total comprehensive income for the period</b>                                                           |      | <b>(2,810,183)</b> | <b>(360,270)</b> |
| <b>Earnings (loss) per share</b>                                                                           |      |                    |                  |
| Basic and diluted earnings (loss) per share attributable to ordinary equity holders                        | 7    | (\$0.024)          | (\$0.008)        |
| <b>Continuing operations</b>                                                                               |      |                    |                  |
| Basic and diluted earnings (loss) per share attributable to ordinary equity holders                        | 7    | (\$0.024)          | (\$0.008)        |

The statements of comprehensive income are to be read in conjunction with the accompanying notes.

|                                                                            | Note | 2011<br>\$       | 2010<br>\$       |
|----------------------------------------------------------------------------|------|------------------|------------------|
| <b>Assets</b>                                                              |      |                  |                  |
| Cash and cash equivalents                                                  | 13   | 6,796,149        | 682,340          |
| Trade and other receivables                                                | 9    | 69,682           | 23,059           |
| <b>Total current assets</b>                                                |      | <b>6,865,831</b> | <b>705,399</b>   |
| Investments                                                                | 10   | 39,175           | 74,454           |
| Property, plant and equipment                                              | 11   | 96,550           | 76,910           |
| Exploration and evaluation assets                                          | 12   | 2,188,799        | 171,046          |
| <b>Total non-current assets</b>                                            |      | <b>2,324,524</b> | <b>322,410</b>   |
| <b>Total assets</b>                                                        |      | <b>9,190,355</b> | <b>1,027,809</b> |
| <b>Liabilities</b>                                                         |      |                  |                  |
| Trade and other payables                                                   | 14   | 165,247          | 82,928           |
| <b>Total current liabilities</b>                                           |      | <b>165,247</b>   | <b>82,928</b>    |
| <b>Total liabilities</b>                                                   |      | <b>165,247</b>   | <b>82,928</b>    |
| <b>Net assets</b>                                                          |      | <b>9,025,108</b> | <b>944,881</b>   |
| <b>Equity</b>                                                              |      |                  |                  |
| Issued capital                                                             | 15   | 35,267,878       | 26,348,663       |
| Reserves                                                                   | 15   | 2,107,564        | 216,705          |
| Accumulated losses                                                         |      | (28,350,334)     | (25,620,487)     |
| <b>Total equity (deficit) attributable to equity holders of the parent</b> |      | <b>9,025,108</b> | <b>944,881</b>   |
| <b>Total equity (deficit)</b>                                              |      | <b>9,025,108</b> | <b>944,881</b>   |

The statements of financial position are to be read in conjunction with the accompanying notes.

|                                                                   | Issued<br>capital | Accumulated<br>losses | Share<br>based<br>payments<br>reserve | Total equity<br>(deficit) |
|-------------------------------------------------------------------|-------------------|-----------------------|---------------------------------------|---------------------------|
| <b>The Company</b>                                                |                   |                       |                                       |                           |
| <b>Opening balance at 1 July 2009</b>                             | <b>25,077,334</b> | <b>(25,305,026)</b>   | <b>171,700</b>                        | <b>(55,992)</b>           |
| <b>Total comprehensive income for the period</b>                  |                   |                       |                                       |                           |
| Profit (loss) for the period                                      | -                 | (360,270)             | -                                     | (360,270)                 |
| Total comprehensive income for the period                         | -                 | (360,270)             | -                                     | (360,270)                 |
| <b>Transactions with owners, recorded directly in equity</b>      |                   |                       |                                       |                           |
| Shares issued                                                     | 537,000           | -                     | -                                     | 537,000                   |
| Share issue costs                                                 | (20,104)          | -                     | -                                     | (20,104)                  |
| Exercise of options                                               | 488,000           | -                     | -                                     | 488,000                   |
| Share based payments                                              | -                 | -                     | 356,247                               | 356,247                   |
| Transfer from share-based payments reserve on exercise of options | 266,433           | -                     | (266,433)                             | -                         |
| Expiry of options                                                 | -                 | 44,809                | (44,809)                              | -                         |
| <b>Balance as at 30 June 2010</b>                                 | <b>26,348,663</b> | <b>(25,620,487)</b>   | <b>216,705</b>                        | <b>944,881</b>            |
| <b>Total comprehensive income for the period</b>                  |                   |                       |                                       |                           |
| Profit (loss) for the period                                      | -                 | (2,810,183)           | -                                     | (2,810,183)               |
| Total comprehensive income for the period                         | -                 | (2,810,183)           | -                                     | (2,810,183)               |
| <b>Transactions with owners, recorded directly in equity</b>      |                   |                       |                                       |                           |
| Shares issued                                                     | 8,143,879         | -                     | -                                     | 8,143,879                 |
| Share issue costs                                                 | (328,350)         | -                     | -                                     | (328,350)                 |
| Exercise of options                                               | 824,000           | -                     | -                                     | 824,000                   |
| Share based payments                                              | -                 | -                     | 2,250,882                             | 2,250,882                 |
| Transfer from share-based payments reserve on exercise of options | 279,686           | -                     | (279,686)                             | -                         |
| Expiry of options                                                 | -                 | 80,337                | (80,337)                              | -                         |
| <b>Balance as at 30 June 2011</b>                                 | <b>35,267,878</b> | <b>(28,350,334)</b>   | <b>2,107,564</b>                      | <b>9,025,108</b>          |

The statements in changes in equity are to be read in conjunction with the accompanying notes.

|                                                                            | Note | 2011<br>\$         | 2010<br>\$       |
|----------------------------------------------------------------------------|------|--------------------|------------------|
| <b>Cash flows from operating activities</b>                                |      |                    |                  |
| Cash paid to suppliers and employees                                       |      | (748,270)          | (144,510)        |
| Cash generated from (utilised in) operations                               |      | (748,270)          | (144,510)        |
| Interest received                                                          |      | 62,026             | 1,015            |
| <b>Net cash inflow (outflow) from operating activities</b>                 | 13   | <b>(686,244)</b>   | <b>(143,495)</b> |
| <b>Cash flows from investing activities</b>                                |      |                    |                  |
| Payments for exploration and evaluation                                    |      | (1,627,470)        | (42,692)         |
| Payments for property, plant and equipment                                 |      | (37,007)           | (65,301)         |
| Disposal of discontinued operation, net of cash disposed and related costs |      | -                  | 50,000           |
| <b>Net cash inflow (outflow) from investing activities</b>                 |      | <b>(1,664,477)</b> | <b>(57,993)</b>  |
| <b>Cash flows from financing activities</b>                                |      |                    |                  |
| Proceeds from the issue of shares                                          |      | 8,792,880          | 810,500          |
| Share issue costs                                                          |      | (328,350)          | (20,104)         |
| <b>Net cash inflow (outflow) from financing activities</b>                 |      | <b>8,464,530</b>   | <b>790,396</b>   |
| <b>Net increase (decrease) in cash and cash equivalents</b>                |      | <b>6,113,809</b>   | <b>588,908</b>   |
| Cash and cash equivalents at the beginning of the period                   |      | 682,340            | 93,432           |
| <b>Cash and cash equivalents at the end of the period</b>                  | 13   | <b>6,796,149</b>   | <b>682,340</b>   |

The statements of cash flows are to be read in conjunction with the accompanying notes.

## **1. Reporting entity**

Resource and Investment NL (the Company or RNI) is a company domiciled in Australia. The address of the Company's registered office and principal place of business is 34 Bagot Road, Subiaco WA 6008. The Company is primarily involved in the exploration and evaluation of mineral tenements in Western Australia.

### **Statement of compliance**

#### **a) Statement of compliance**

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

The financial statements were authorised for issue by the Board of Directors on 30 September 2011.

#### **b) Basis of measurement**

The financial statements have been prepared on the historical cost basis except for the following.

- Available-for-sale financial assets are measured at fair value; and
- Share-based payments are measured at fair value.

The methods used to determine fair values are discussed further in the following notes.

- Available-for-sale financial assets note 2(c); and
- Share-based payments note 2(q).

#### **c) Functional and presentation currency**

These financial statements are presented in Australian dollars, which is the Company's functional currency.

#### **d) Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of Australian Accounting Standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2(q).

## **2. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

Certain comparative amounts have been reclassified to conform with the current year's presentation where required.

#### **a) Basis of consolidation**

##### ***Subsidiaries***

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

In the Company's financial statements, investments in subsidiaries are carried at cost.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income and statement of financial position respectively.

##### ***Transactions eliminated on consolidation***

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

## **2. Significant accounting policies (contd)**

### **b) Foreign currency**

#### ***Foreign currency transactions***

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on retranslation are recognised in the income statement.

#### ***Foreign operations***

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity (foreign currency translation reserve, "FCTR"). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to the income statement.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the FCTR.

### **c) Financial instruments**

#### ***Non-derivative financial assets***

The Company initially recognises receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through the statement of comprehensive income) are recognised initially on the trade date at which the Company becomes party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets: cash and cash equivalents, trade and other receivables and available-for-sale financial assets.

#### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. The Company does not recognise funds held in trust, in relation to equity issues, as a component of cash and cash equivalents.

Accounting for finance income and finance cost is discussed in note 2(j).

#### ***Receivables***

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition receivables are measured at amortised cost using the effective interest method, less any impairment losses.

#### ***Available-for-sale financial assets***

The Company's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value, where a measure of fair value exists, and changes therein, other than impairment losses (see accounting policy note 2(f)), and foreign currency differences on available-for-sale monetary items (see accounting policy note 2(b)), are recognised directly in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement. Where an available for sale financial asset formerly had a fair value but presently a fair value measurement cannot be obtained, it is carried at its last known fair value and it is carried at cost which is the last known fair value.

## 2. Significant accounting policies (contd)

The fair value of listed equity securities classified as available-for-sale is their quoted bid price at the balance sheet date.

### ***Non-derivative financial liabilities***

Financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

### **d) Issued capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

### **e) Property, plant and equipment**

#### ***Recognition and measurement***

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in the statement of comprehensive income.

#### ***Subsequent costs***

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs are recognised in the income statement as an expense incurred.

#### ***Depreciation***

Depreciation is recognised in the income statement on a diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

|                                |     |
|--------------------------------|-----|
| Office furniture and equipment | 20% |
| Plant and equipment            | 40% |
| Motor vehicles                 | 20% |

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

## **2. Significant accounting policies (contd)**

### **f) Exploration and evaluation assets**

Exploration costs on mineral exploration prospects are accumulated separately for each area of interest (an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proven to contain such a deposit) and are carried forward on the following basis:

- (i) Each area of interest is considered separately when deciding whether and to what extent to carry forward or write-off exploration costs.
- (ii) Rights to prospect in the area of interest are current, provided that such costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sale.
- (iii) The carrying values of mineral exploration prospects are reviewed by directors where results of exploration of an area of interest are sufficiently advanced to permit a reasonable estimate of the costs expected to be recouped through successful developments and exploitation of the area of interest or by its sale. Expenditure in excess of this estimate is written-off to the income statement in the period in which the review occurs.
- (iv) At each reporting date, management assesses whether there is any indication that exploration and evaluation expenditure carried forward may be impaired. If any such impairment exists, the carrying amount is written-down to the higher of fair value less costs to sell and value in use in accordance with AASB136 Impairment of Assets.
- (v) In respect of the areas of interest, the amount carried forward is not amortised until production commences. Exploration costs are capitalised until such time as that specific mining area reaches commercial production.

Revenue earned from the discovery of minerals during the exploration phase is offset against the capitalised exploration costs.

### **g) Impairment**

#### ***Financial assets (including receivables)***

A financial asset not carried at fair value through the statement of comprehensive income is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, and the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed in groups that show similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original interest rate. Losses are recognised in the statement of comprehensive income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through statement of comprehensive income.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to the income statement. The cumulative loss that is removed from other comprehensive income and recognised in the income statement is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in the statement of comprehensive income.

Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

## **2. Significant accounting policies (contd)**

### ***Non-financial assets***

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). 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.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of other assets in the unit (group of units) on a pro rata basis.

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

### **h) Employee benefits**

#### ***Defined contribution superannuation funds***

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the statement of comprehensive income in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

#### ***Short-term benefits***

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

### **i) Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

## **2. Significant accounting policies (contd)**

### **j) Revenue**

#### ***Goods sold***

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration.

#### ***Services***

Revenue from services rendered is recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction at the reporting date.

#### **Finance income and finance costs**

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in the statement of comprehensive income, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognised on financial assets.

#### **Foreign currency**

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

### **k) Income tax**

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in the statement of comprehensive income except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

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

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### **l) Goods and services tax**

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

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

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

## **2. Significant accounting policies (contd)**

### **m) Discontinued operations**

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as an operation placed into liquidation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

### **n) Earnings (Loss) per share**

The Company presents basic and diluted earnings (loss) per share for its ordinary shares. Basic earnings (loss) per share is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings (loss) per share is only determined if the Company is in a profit position. Refer to note 7 for details.

### **o) Segment reporting**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

### **p) New standards and interpretations not yet adopted**

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied in preparing this financial report.

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the Company's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Company has not yet determined the potential effect of the standard.
- AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the Company's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-8 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Company's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-10 *Amendments to Australian Accounting Standard – Classification of Rights Issue* [AASB 132] (October 2010) clarify that rights, options and warrants to acquire a fixed number of an entity's own equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which will become mandatory for the Company's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.

### **q) Accounting estimates and judgements**

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

## 2. Significant accounting policies (contd)

### (q) Accounting estimates and judgements (contd)

#### **Environmental issues**

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

#### **Taxation**

Balances disclosed in the financial statements and the notes related to taxation, are based on the best estimates of directors and take into account the financial performance and position of the Company as they pertain to current income tax legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current tax position represents the best estimate, pending assessment by the Australian Tax Office.

#### **Exploration and evaluation assets**

The Company assesses the carried value of exploration and evaluation assets in accordance with the accounting policy noted above. As noted in that policy, the basis of carrying value involves numerous estimates and judgements resulting from the assessment of ongoing exploration and evaluation activities.

#### **Share-based payment transactions**

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions set out within note 16. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

#### **Estimated useful lives of assets**

Estimated useful lives of assets have been based on historical experience. The condition of the assets is assessed at least once per year and considered against the remaining life. Adjustments to useful lives are made when considered necessary.

## 3. Expenses

#### **Impairment loss**

Impairment of exploration and evaluation assets  
Impairment of financial assets

#### **Minimum Lease Payments**

Office lease payments – disclosed as administrative expenses

#### **Depreciation**

Plant and equipment – disclosed as administrative expenses

## 4. Personnel Expenses

Wages, salaries and director fees  
Defined contribution superannuation expense  
Equity settled share-based payments

## 5. Finance income and finance cost

#### **Finance income**

Interest income

#### **Finance expense**

Foreign exchange losses

|    | Company<br>2011 | Company<br>2010 |
|----|-----------------|-----------------|
|    | 41,300          | 12,335          |
|    | 35,279          | 15,607          |
|    | 76,579          | 27,942          |
|    | 74,800          | -               |
|    | 74,800          | -               |
|    | 17,366          | 3,413           |
|    | 17,366          | 3,413           |
|    | 294,166         | -               |
|    | 80,253          | -               |
| 16 | 1,994,298       | 216,880         |
|    | 2,368,717       | 216,880         |
|    | 62,026          | 1,015           |
|    | 62,026          | 1,015           |
|    | -               | 553             |
|    | -               | 553             |

## 6. Income tax expense

### Numerical reconciliation between tax expense (benefit) and pre-tax net profit (loss)

|                                                                                         | Company<br>2011 | Company<br>2010 |
|-----------------------------------------------------------------------------------------|-----------------|-----------------|
| Profit (Loss) before tax                                                                | (2,810,183)     | (360,270)       |
| Income tax expense (benefit) using the domestic corporation tax rate of 30% (2010: 30%) | (843,055)       | (108,081)       |
| Increase (decrease) in income tax due to:                                               |                 |                 |
| Non-deductible expenses                                                                 | 600,906         | 65,255          |
| Effect of tax losses and deductible temporary differences not recognised                | 357,656         | 76,108          |
| Tax effect of non-assessable income                                                     | -               | -               |
| Tax deductible equity raising costs                                                     | (25,515)        | (33,282)        |
| Income tax expense (income) attributable to entity                                      | -               | -               |

As at 30 June 2011, the Company has estimated tax losses of approximately \$8,157,515 (2010: \$5,494,261), which may be available to be offset against taxable income in future years. The availability of these losses is subject to satisfying Australian taxation legislative requirements. The deferred tax asset attributable to tax losses has not been brought to account in these financial statements as the Directors believe it is not presently appropriate to regards realisation of the future income tax benefits as probable.

#### Deferred Tax Liability

With regard to Mineral Exploration Expenditure of \$596,640 (2010: \$9,504) the tax liability in respect of the book value has not been brought to account as it is offset by the tax losses set out above.

## 7. Earnings (loss) per share

### Basic earnings (loss) per share

|                                         | Company<br>2011 | Company<br>2010 |
|-----------------------------------------|-----------------|-----------------|
| Basic earnings (loss) per share (cents) | 2.39            | 0.80            |

The calculation of basic earnings (loss) per share at 30 June 2011 was based on the loss attributable to ordinary shareholders of \$2,810,183 (2010: loss of \$360,270) and a weighted average number of ordinary shares outstanding of 117,725,332 (2010: 45,530,910), calculated as follows.

|                              |             |           |
|------------------------------|-------------|-----------|
| Profit (loss) for the period | (2,810,183) | (360,270) |
|------------------------------|-------------|-----------|

### Diluted earnings (loss) per share

|                                           |      |      |
|-------------------------------------------|------|------|
| Diluted earnings (loss) per share (cents) | 2.39 | 0.80 |
|-------------------------------------------|------|------|

As at 30 June 2011, the options detailed within note 15 are considered to be potential ordinary shares. However, as the Company is in a loss position, the potential ordinary shares are considered to be anti-dilutive in nature, as their exercise will not result in a diluted loss per share that shows an inferior view of earnings performance of the Company than is shown by basic loss per share. For this reason, the options have not been included in the determination of diluted loss per share and the diluted loss per share is disclosed to be the same as basic loss per share.

## 8. Auditors Remuneration

### Audit services:

Audit and review of financial reports (Somes & Cooke)

|  | Company<br>2011 | Company<br>2010 |
|--|-----------------|-----------------|
|  | 26,250          | 21,000          |
|  | 26,250          | 21,000          |

## 9. Trade and other receivables

|                                            | Company<br>2011 | Company<br>2010 |
|--------------------------------------------|-----------------|-----------------|
| Receivable from Australian Taxation Office | 67,682          | 9,876           |
| Other                                      | 2,000           | 13,183          |
|                                            | <b>69,682</b>   | <b>23,059</b>   |

The Company's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 20.

## 10. Investments

|                                     |        |        |
|-------------------------------------|--------|--------|
| Available-for-sale financial assets | 39,175 | 74,454 |
|-------------------------------------|--------|--------|

The Company holds an equity investments in Caldera Resources Inc, a company listed on the Toronto Stock Exchange. The investment is carried at fair value, represented by its quoted bid price at balance sheet date.

The Company holds an equity investment in Marine Produce Australia Limited (MPA), and Australian public company formerly listed on the Australian Stock Exchange. During the year, MPA delisted and as such a measure of fair value is no longer available. The Company carries MPA at cost being the last known fair value before delisting.

Impairment loss

The Company has recognised \$35,279 (2010: \$15,607) in impairment losses with respect to its available-for-sale financial assets during the financial year.

Sensitivity analysis – equity price risk

For investments classified as available-for-sale, a thirty percent increase in the market price of the investments at reporting date would have increased equity by \$11,752 after tax (2010: increased equity by \$22,336); an equal change in the opposite direction would have increased the loss by \$11,752 after tax (2010: decreased profit by \$22,336). The analysis is performed on the same basis for 2010.

## 11. Property, plant and equipment

A reconciliation of the carrying amounts for each class of property, plant and equipment is set out below.

|                            | Plant &<br>equipment<br>\$ | Office<br>equipment<br>\$ | Motor<br>vehicles<br>\$ | Total<br>\$   |
|----------------------------|----------------------------|---------------------------|-------------------------|---------------|
| <b>Carrying amount</b>     |                            |                           |                         |               |
| Balance at 1 July 2009     | -                          | 15,022                    | -                       | 15,022        |
| Additions                  | 1,750                      | -                         | 63,551                  | 65,301        |
| Depreciation               | (29)                       | (2,854)                   | (530)                   | (3,413)       |
| Balance as at 30 June 2010 | <b>1,721</b>               | <b>12,168</b>             | <b>63,021</b>           | <b>76,910</b> |
| Balance at 1 July 2010     | 1,721                      | 12,168                    | 63,021                  | 76,910        |
| Additions                  | -                          | 1,994                     | 35,012                  | 37,006        |
| Depreciation               | (624)                      | (2,555)                   | (14,187)                | (17,366)      |
| Balance as at 30 June 2011 | <b>1,097</b>               | <b>11,607</b>             | <b>83,846</b>           | <b>96,550</b> |
| <b>Carrying amounts</b>    |                            |                           |                         |               |
| At 1 July 2009             | -                          | 15,022                    | -                       | 15,022        |
| At 30 June 2010            | <b>1,721</b>               | <b>12,168</b>             | <b>63,021</b>           | <b>76,910</b> |
| At 1 July 2010             | 1,721                      | 12,168                    | 63,021                  | 76,910        |
| At 30 June 2011            | <b>1,097</b>               | <b>11,607</b>             | <b>83,846</b>           | <b>96,550</b> |

## 12. Exploration and evaluation assets

A reconciliation of the carrying amount of exploration and evaluation is set out below.

|                                              |     | <b>Company<br/>2011<br/>\$</b> | <b>Company<br/>2010<br/>\$</b> |
|----------------------------------------------|-----|--------------------------------|--------------------------------|
| Carrying amount at the beginning of the year |     | 171,046                        | 1,322                          |
| Expenditure during the period                | (i) | 2,059,053                      | 182,059                        |
| Impairment loss                              |     | (41,300)                       | (12,335)                       |
| Carrying amount at the end of the year       |     | <b>2,188,799</b>               | <b>171,046</b>                 |

(i) Includes an amount of \$256,585, being the fair value of options issued estimated at the date of grant using the Black-Scholes option pricing model and representing tenement acquisition costs. Refer to note 16 for details. Recoverability of the carrying amount is dependent upon the successful development and commercial exploitation, or alternatively, the sale of the area of interest.

## 13. Cash and cash equivalents

|                                                          | <b>Company<br/>2011<br/>\$</b> | <b>Company<br/>2010<br/>\$</b> |
|----------------------------------------------------------|--------------------------------|--------------------------------|
| Bank balances                                            | 6,796,149                      | 682,340                        |
| Cash and cash equivalents in the statement of cash flows | <b>6,796,149</b>               | <b>682,340</b>                 |

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets are discussed in note 20.

### a) Reconciliation of cash flows from operating activities

|                                                                          |                  |                  |
|--------------------------------------------------------------------------|------------------|------------------|
| Profit (loss) for the period                                             | (2,810,183)      | (360,270)        |
| <i>Adjusted for:</i>                                                     |                  |                  |
| Provision (recovery) of controlled entity loan                           | -                | -                |
| Interest capitalised – related entity loan                               | -                | -                |
| Depreciation                                                             | 17,366           | 3,413            |
| Impairment losses                                                        | 76,579           | 27,942           |
| Employee share-based payments                                            | (b) 1,994,298    | 216,880          |
| Foreign exchange (gain) loss                                             | -                | 553              |
| (Gain) on sale of controlled entity                                      | -                | -                |
| Sundry income                                                            | -                | -                |
| Operating profit (loss) before changes in working capital and provisions | (721,940)        | (111,482)        |
| Decrease (increase) in inventories                                       | -                | -                |
| Decrease (increase) in receivables                                       | (46,623)         | (20,273)         |
| (Decrease) increase in payables                                          | 82,319           | (11,740)         |
| (Decrease) increase in provisions                                        | -                | -                |
| Net cash outflow from operating activities                               | <b>(686,244)</b> | <b>(143,495)</b> |

### b) Non cash financing and investing activities

|                                                | <b>Company<br/>2011<br/>\$</b> | <b>Company<br/>2010<br/>\$</b> |
|------------------------------------------------|--------------------------------|--------------------------------|
| Employee share based payments                  | (ii) 1,994,298                 | 216,880                        |
| Settlement of creditor obligations with shares | (iii) -                        | 214,500                        |
| Issue of options                               | (i) 256,585                    | 139,366                        |
| Issue of shares                                | (iv) 175,000                   | -                              |
|                                                | <b>2,425,883</b>               | <b>570,746</b>                 |

### 13. Cash and cash equivalents (contd)

(i) Options issued to Imic Pty Ltd

On 19 July 2010, RNI concluded an Option Agreement to acquire the Three Rivers Project from Imic Pty Ltd. This Project comprises two Exploration Licences covering about 170km<sup>2</sup> and located about 35km north of DeGrussa and 15km northwest of the Plutonic Gold Mine. In accordance with the terms of the agreement the Company issued Imic Pty Ltd 2 million options in the capital of RNI exercisable to ordinary fully paid shares, with an exercise price of \$0.40 per share, exercisable any time on or before 7 August 2012.

\$256,585 was recognised within the statement of financial positions as an exploration and evaluation asset as a result of the issue of these options.

(ii) Director and Company Secretary Options (approved in general meeting 25 November 2010)

As approved by shareholders in general meeting, the Company announced the issue of 4,000,000 unlisted director options to subscribe for ordinary fully paid shares in the Company at any time on or before 25 November 2013 at an exercise price of \$1.00 each. Each option is convertible to one fully paid ordinary share and the options were issued to the following directors and company secretary:

|                 | Number of<br>options |
|-----------------|----------------------|
| Miles A Kennedy | 1,000,000            |
| John R Hutton   | 1,000,000            |
| Thomas Mann     | 1,000,000            |
| Jean Mathie     | 1,000,000            |
|                 | <u>4,000,000</u>     |

(iii) Issue of Incentive Options (approved in general meeting 25 November 2010)

As approved by shareholders in general meeting held on 25 November 2010, the Company issued 2,300,000 unlisted options to subscribe for ordinary fully paid shares in the Company at any time on or 17 May 2016 at an exercise price of \$1.00 each.

There are no voting or dividend rights attached to the options and options issued under the plan were issued for no consideration. Voting rights will be attached to the ordinary issued shares when the options have been exercised. Each option is convertible to one fully paid ordinary share and the options were issued to:

|                       | Number of<br>options |
|-----------------------|----------------------|
| AL Ahmat              | 1,000,000            |
| K Drummond            | 500,000              |
| JA Clarke             | 200,000              |
| D Van Putten-Curry    | 200,000              |
| MT Jones              | 200,000              |
| Palm Lane SFT Pty Ltd | 200,000              |
|                       | <u>2,300,000</u>     |

(iv) Issue of Shares

On 16 June 2011, 175,000 shares were issued at a deemed price of \$1.00 each in accordance with the terms and conditions of a Tenement Sale Agreement (Fortnum West) between the Company, Beau Resources Pty Ltd and Glenn GV Money dated 18 March 2011.

### 14. Trade and other payables

|                          | Company<br>2011<br>\$ | Company<br>2010<br>\$ |
|--------------------------|-----------------------|-----------------------|
| Trade and other accruals | 165,247               | 82,928                |
|                          | <u>165,247</u>        | <u>82,928</u>         |

The Company's exposure to liquidity risk related to trade and other payables is disclosed in note 17.

## 15. Issued capital and reserves

|                                       |            |            |
|---------------------------------------|------------|------------|
| Issued and fully paid ordinary shares | 35,267,878 | 26,348,663 |
|---------------------------------------|------------|------------|

### Movement in ordinary shares

|                                                       | Company<br>2011 |            | Company<br>2010 |            |
|-------------------------------------------------------|-----------------|------------|-----------------|------------|
|                                                       | Number          | \$         | Number          | \$         |
| On issue at 1 July                                    | 58,881,320      | 26,348,663 | 34,034,654      | 25,077,334 |
| Issue of shares for cash                              | 62,314,654      | 7,968,879  | 9,200,000       | 322,500    |
| Issue of shares on settlement of creditor obligations | -               | -          | 8,580,000       | 214,500    |
| Issue of shares on exercise of options                | 3,413,334       | 824,000    | 7,066,666       | 488,000    |
| Share issue costs                                     | -               | (328,350)  | -               | (20,104)   |
| Share-based payments                                  | 16 175,000      | 454,686    | -               | 266,433    |
| On issue at 30 June                                   | 124,784,308     | 35,267,878 | 58,881,320      | 26,348,663 |

### Terms and conditions

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

### Movement in shares under options

| Options expiring on or before | Note  | Exercise Price | On issue at 1 Jul 10 | Issued    | Exercised   | Expired   | On issue at 30 Jun 11 |
|-------------------------------|-------|----------------|----------------------|-----------|-------------|-----------|-----------------------|
| 24 November 2010              |       | \$0.90         | 550,000              | -         | -           | (550,000) | -                     |
| 7 September 2011              |       | \$1.50         | 1,500,000            | -         | -           | -         | 1,500,000             |
| 28 June 2013                  |       | \$0.12         | 1,933,334            | -         | (1,933,334) | -         | -                     |
| 7 August 2012                 | (i)   | \$0.40         | -                    | 2,000,000 | (1,480,000) | -         | 520,000               |
| 25 November 2013              | (ii)  | \$1.00         | -                    | 4,000,000 | -           | -         | 4,000,000             |
| 17 May 2016                   | (iii) | \$1.00         | -                    | 2,300,000 | -           | -         | 2,300,000             |
|                               |       |                | 3,983,334            | 8,300,000 | (3,413,334) | (550,000) | 8,320,000             |

(i) The options were issued to Imic Pty Ltd to conclude an Option Agreement to acquire the Three Rivers Project.

(ii) These options were issued to Directors and the Company Secretary as approved by shareholders in general meeting.

(iii) Issue of incentive options to employees as approved by shareholders in general meeting.

### Nature and purpose of reserves

#### Share-based payments reserve

The share-based payments reserve represents the fair value of equity instruments issued to employees as compensation and issued to external parties for the receipt of goods and services. This reserve will be reversed against issued capital when the underlying shares are converted and reversed against retained earnings when they are allowed to lapse.

## 16. Share Based Payments

### Recognised share-based payments

Details of share based payments recognised during the year are shown in the table below.

|                                                | Company<br>2011<br>\$ | Company<br>2010<br>\$ |
|------------------------------------------------|-----------------------|-----------------------|
| Employee share based payments                  | 1,994,298             | 216,880               |
| Settlement of creditor obligations with shares | -                     | 214,500               |
| Issue of options                               | 256,585               | 139,366               |
| Issue of shares                                | 454,686               | -                     |
|                                                | 2,705,569             | 570,746               |

## 16. Share Based Payments (contd)

### Types of share-based payment plans

#### Equity based compensation (*Long-term incentive bonus*)

The Board has introduced a number of equity-based long-term incentives (LTIs) to promote continuity of employment and to provide additional incentive to key management personnel to increase shareholder wealth. LTIs are provided as options over ordinary shares of the Company and are provided to key management personnel based on their level of seniority and position within the Company. Options may only be issued to directors subject to approval by shareholders in general meeting.

#### (i) *Issue of Directors' Options (approved in general meeting 25 November 2010)*

As approved by shareholders in general meeting held on 25 November 2010, the Company issued 3,000,000 unlisted options to subscribe for ordinary fully paid shares in the Company at any time on or before 25 November 2013 at an exercise price of \$1.00 each.

There are no voting or dividend rights attached to the options and options issued under the plan were issued for no consideration. Voting rights will be attached to the ordinary issued shares when the options have been exercised. Each option is convertible to one fully paid ordinary share and the options were issued to the following directors:

| Director        | Number of<br>options |
|-----------------|----------------------|
| Miles A Kennedy | 1,000,000            |
| John R Hutton   | 1,000,000            |
| Thomas Mann     | 1,000,000            |
|                 | <u>3,000,000</u>     |

#### (ii) *Issue of Options to Company Secretary (approved in general meeting 25 November 2010)*

As approved by shareholders in general meeting held on 25 November 2010, the Company issued 1,000,000 unlisted options to subscribe for ordinary fully paid shares in the Company at any time on or before 25 November 2013 at an exercise price of \$1.00 each.

There are no voting or dividend rights attached to the options and options issued under the plan were issued for no consideration. Voting rights will be attached to the ordinary issued shares when the options have been exercised. Each option is convertible to one fully paid ordinary share and the options were issued to:

| Company Secretary | Number of<br>options |
|-------------------|----------------------|
| Jean Mathie       | 1,000,000            |
|                   | <u>1,000,000</u>     |

#### (iii) *Issue of Incentive Options (approved in general meeting 25 November 2010)*

As approved by shareholders in general meeting held on 25 November 2010, the Company issued 2,300,000 unlisted options to subscribe for ordinary fully paid shares in the Company at any time on or 17 May 2016 at an exercise price of \$1.00 each.

There are no voting or dividend rights attached to the options and options issued under the plan were issued for no consideration. Voting rights will be attached to the ordinary issued shares when the options have been exercised. Each option is convertible to one fully paid ordinary share and the options were issued to:

|                       | Number of<br>options |
|-----------------------|----------------------|
| AL Ahmat              | 1,000,000            |
| K Drummond            | 500,000              |
| JA Clarke             | 200,000              |
| D Van Putten-Curry    | 200,000              |
| MT Jones              | 200,000              |
| Palm Lane SFT Pty Ltd | 200,000              |
|                       | <u>2,300,000</u>     |

## 16. Share Based Payments (contd)

### Summaries of options granted

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

|                                        | <b>2011<br/>No.</b> | <b>2011<br/>WAEP</b> | <b>2010<br/>No.</b> | <b>2010<br/>WAEP</b> |
|----------------------------------------|---------------------|----------------------|---------------------|----------------------|
| Outstanding at 1 July                  | 3,983,334           | \$0.75               | 3,550,000           | \$1.22               |
| Granted during the year                | 8,300,000           | \$0.86               | 9,000,000           | \$0.08               |
| Exercised during the year <sup>A</sup> | (3,413,334)         | \$0.24               | (7,066,666)         | \$0.07               |
| Expired during the year                | (550,000)           | \$0.90               | (1,500,000)         | \$0.90               |
| Outstanding at 30 June                 | 8,320,000           | \$1.05               | 3,983,334           | \$0.75               |
| Exercisable at 30 June                 | 8,320,000           | \$1.05               | 3,983,334           | \$0.75               |

A The weighted average share price at the date of exercise is \$0.36.

The outstanding balance at 30 June 2011 is represented by:

| Options expiring on or before | Exercise price | Number    |
|-------------------------------|----------------|-----------|
| 7 September 2011              | \$1.50         | 1,500,000 |
| 7 August 2012                 | \$0.40         | 520,000   |
| 25 November 2013              | \$1.00         | 4,000,000 |
| 17 May 2016                   | \$1.00         | 2,300,000 |

### Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 2.64 years (2010: 1.95 years).

### Range of exercise price

The range of exercise prices for options outstanding at the end of the year was \$0.40 - \$1.50 (2010: \$0.12 - \$1.50). As the range of exercise prices is wide, refer to the above table for further information in assessing the number and timing of additional shares that may be issued and the cash that may be received upon exercise of those options.

### Weighted average fair value

The weighted average fair value of options granted during the year was \$0.27119.

### Fair value basis

The fair value of options issued are estimated at the date of grant using the Black-Scholes option pricing model. The following table sets out the assumptions made in determining the fair value of the options granted during the period.

|                              | Options expiring<br>7 August 2012 | Options expiring<br>25 November 2013 | Options expiring<br>17 May 2016 |
|------------------------------|-----------------------------------|--------------------------------------|---------------------------------|
| Grant date                   | 19 July 2010                      | 25 November 2010                     | 21 December 2010                |
| Dividend yield               | 0.00%                             | 0.00%                                | 0.00%                           |
| Expected volatility          | 85.00%                            | 70.00%                               | 70.00%                          |
| Risk-free interest rate      | 4.53%                             | 5.22%                                | 5.25%                           |
| Option exercise price        | \$0.40                            | \$1.00                               | \$1.00                          |
| Expected life (years)        | 2.00                              | 3.00                                 | 3.40                            |
| Share price on date of grant | \$0.310                           | \$0.660                              | \$0.865                         |

## **17. Financial Instruments**

### *Financial risk management*

This note presents information about the Company's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Company's principal financial instruments comprise receivables, payables, available-for-sale equity investments, cash and short-term deposits.

All financial assets measured at fair value are considered to be Level 1 financial assets. That is, they have quoted prices in active markets for identical assets.

### *Risk exposures and responses*

The Company manages its exposure to key financial risks in accordance with the Company's financial risk management policy. The objective of the policy is to support the delivery of the Company's financial targets while protecting future financial security.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Company through regular reviews of the risks.

The main risks arising from the Company's financial instruments are interest rate risk and liquidity risk. The Company uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates via assessments of market forecasts for interest rates and monitoring liquidity risk through the development of future rolling cash flow forecasts.

The Company does not use any form of derivatives as the Company's operations and related financial instruments are not at a level of complexity to require the use of derivatives to hedge its exposures. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

### *Credit risk*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company's potential concentration of credit risk consists mainly of cash deposits with banks and other receivables. The Company's short term cash surpluses are placed with banks that have investment grade ratings. The maximum credit risk exposure relating to the financial assets is represented by the carrying value as at the balance sheet date. The Company considers the credit standing of counterparties when making deposits to manage the credit risk.

Considering the nature of the Company's ultimate customers and the relevant terms and conditions entered into with such customers, the Company believes that the credit risk is immaterial.

### *Liquidity Risk*

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

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Company manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows.

## 17. Financial Instruments (contd)

The following are the contractual and expected maturities of the Company's non-derivative, non-cash financial assets and the Company's expected maturities of financial liabilities:

|                                     | Within 6 months<br>\$ | 6 to 12 months<br>\$ | >12 months<br>\$ | Total<br>\$ |
|-------------------------------------|-----------------------|----------------------|------------------|-------------|
| Year ended 30 June 2011             |                       |                      |                  |             |
| Financial assets                    |                       |                      |                  |             |
| Trade and other receivables         | 69,682                | -                    | -                | 69,682      |
| Available for sale financial assets |                       |                      | 39,175           | 39,175      |
|                                     | 69,682                | -                    | 39,175           | 108,857     |
| Financial liabilities               |                       |                      |                  |             |
| Trade and other payables            | 165,247               | -                    | -                | 165,247     |
|                                     | 165,247               | -                    | -                | 165,247     |
| Net inflow (outflow)                | (95,565)              | -                    | 39,175           | (56,390)    |

### Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration, evaluation and development of its mineral projects. In order to maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares or sell assets to reduce debt. Due to the Company being principally involved in mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings.

The Company also encourages employees and directors to be shareholders through its various equity-based long-term incentives as detailed in note 16.

As at 30 June 2011, the Company had a net working capital surplus of \$6,700,584 (2010: net working capital surplus of \$622,471), represented significantly by cash and cash equivalent assets of \$6,796,149. The Company's net asset position was \$9,025,108 (2010: \$944,881).

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

The Company is not subject to externally imposed capital requirements.

### Fair value

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

The financial assets and liabilities included in the assets and liabilities of the Company approximate net fair value, determined in accordance with the accounting policies disclosed in note 3 to the financial statements.

### Market risk

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

### Currency risk

Foreign exchange risk for the Company as at 30 June 2011 arises from equity investments the Company holds in Canadian Dollars (CAD), classified as available-for-sale financial assets.

The Company did not enter into any derivative financial instruments to hedge against currency risk on any such transactions. The presentation currency of the Company is Australian Dollars.

The Company's exposure to foreign currency risk is not considered to be material.

## 17. Financial Instruments (contd)

### Cash flow interest rate risk

The Company is exposed to interest rate risk, primarily on its cash and cash equivalents. Cash flow interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Company does not use derivatives to mitigate these exposures.

At 30 June 2011 the interest rate profile of the Company's interest-bearing financial instruments was:

|                           | Average<br>Interest<br>Rate<br>% | Variable<br>Interest<br>Rate<br>A\$ | Fixed Interest Rate Maturity  |                        |                                | Total<br>A\$ |
|---------------------------|----------------------------------|-------------------------------------|-------------------------------|------------------------|--------------------------------|--------------|
|                           |                                  |                                     | Less<br>than 1<br>Year<br>A\$ | 1 to 5<br>Years<br>A\$ | More<br>than 5<br>Years<br>A\$ |              |
| Financial assets          |                                  |                                     |                               |                        |                                |              |
| Cash and cash equivalents | 1.00%                            | 6,796,149                           | -                             | -                      | -                              | 6,796,149    |

At 30 June 2010 the interest rate profile of the Company's interest-bearing financial instruments was:

|                           | Average<br>Interest<br>Rate<br>% | Variable<br>Interest<br>Rate<br>A\$ | Fixed Interest Rate Maturity  |                        |                                | Total<br>A\$ |
|---------------------------|----------------------------------|-------------------------------------|-------------------------------|------------------------|--------------------------------|--------------|
|                           |                                  |                                     | Less<br>than 1<br>Year<br>A\$ | 1 to 5<br>Years<br>A\$ | More<br>than 5<br>Years<br>A\$ |              |
| Financial assets          |                                  |                                     |                               |                        |                                |              |
| Cash and cash equivalents | 0.50%                            | 682,340                             | -                             | -                      | -                              | 682,340      |

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no material impact on the income statement. There would be no effect on the equity reserves other than those directly related to income statement. The analysis is performed on the same basis for 2010.

The sensitivity analysis has been prepared to demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant through the impact on floating rate interest rates.

### Equity price risk

Equity price risk is the risk that the value of the Company's financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

Investments are managed on an individual basis and material buy and sell decisions are approved by the Board of Directors. The primary goal of the Company's investment strategy is to maximise investment returns.

The Company's investments are solely in equity instruments. These instruments are classified as available-for-sale and carried at fair value, where a measure of fair value exists, with fair value changes recognised directly in equity, except for impairment losses. Where these investments are derecognised or impaired, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement.

See note 10 for sensitivity analysis in relation to the Company's listed investments.

## 18. Related parties

### Key management personnel compensation

The key management personnel compensation comprised:

|                              | Company<br>2011<br>\$ | Company<br>2010<br>\$ |
|------------------------------|-----------------------|-----------------------|
| Short-term employee benefits | 170,846               | -                     |
| Post-employment benefits     | 69,154                | -                     |
| Share-based payments         | 763,995               | 216,880               |
|                              | <b>1,003,995</b>      | <b>216,880</b>        |

Other than the directors, no other person is concerned in, or takes part in, the management of the Company or has the authority and responsibility for planning, directing and controlling the activities of the Company. As such, during the financial year, the Company did not have any person, other than directors, that would meet the definition of "Key Management Personnel" for the purposes of AASB124 *Company Executive or Relevant Group Executive* for the purposes of section 300A of the Corporations Act 2001 ("Act").

### Individual directors and executives compensation disclosures

Information regarding individual directors' compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 is provided in the remuneration report section of the directors' report.

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

### Key management personnel and director transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to key management personnel and their related entities over which they have control or significant influence were as follows.

|                                                                             |      | Transactions value<br>year ended 30 June |                | Balance outstanding<br>as at 30 June |          |
|-----------------------------------------------------------------------------|------|------------------------------------------|----------------|--------------------------------------|----------|
|                                                                             | Note | 2011                                     | 2010           | 2011                                 | 2010     |
| Key management personnel and their related parties                          |      |                                          |                |                                      |          |
| Mr M Kennedy - Resource Development Company Pty Ltd; MAK Super (WA) Pty Ltd | (i)  | -                                        | 214,500        | -                                    | -        |
| Mr M Kennedy and Mr John Hutton – The Bagot Road Property Partnership       |      | 74,800                                   | -              | 6,800                                | -        |
|                                                                             |      | <b>74,800</b>                            | <b>214,500</b> | <b>6,800</b>                         | <b>-</b> |

## 18. Related parties (contd)

(i) As at 30 June 2009, the Company was indebted to Resource Development Company Pty Ltd (RDC) in the sum of \$214,500 (inclusive of GST), being the total balance due for the provision of consulting and management services during the period November 2007 to December 2008. Mr Kennedy was a shareholder and director of RDC and on him ceasing to be associated with RDC, RDC assigned all its rights and interest in respect of an amount of \$107,250, being half of the assigned debt, to MAK Super (WA) Pty Ltd, and \$107,250, being half of the assigned debt, to Tongaat Pty Ltd (Tonga). Mr Kennedy is a shareholder and director of MAK Super (WA) Pty Ltd.

As approved by shareholders at the annual general meeting held on 27 November 2009, the newly assigned debts were settled by the Company during the period via the issue of 8,580,000 fully paid ordinary shares, 4,290,000 each to MAK Super (WA) Pty Ltd and Tongaat, at a deemed issue price of \$0.025 per share.

### Options over equity instruments

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

|                                               | Balance at<br>1 Jul 10 | Granted as<br>remuneration | Options<br>exercised | Net other<br>changes <sup>A</sup> | Held<br>on<br>resign-<br>ation | Balance at 30<br>Jun 11        | Vested during<br>the year | Vested and<br>exercisable |
|-----------------------------------------------|------------------------|----------------------------|----------------------|-----------------------------------|--------------------------------|--------------------------------|---------------------------|---------------------------|
| <i>Non-executive</i>                          |                        |                            |                      |                                   |                                |                                |                           |                           |
| Miles A                                       | 750,000                | 1,000,000                  | -                    | -                                 |                                | 1,750,000                      | 1,000,000                 | 1,750,000                 |
| John R Hutton                                 | -                      | 1,000,000                  | -                    | -                                 |                                | 1,000,000                      | 1,000,000                 | 1,000,000                 |
| Thomas J Mann                                 | -                      | 1,000,000                  | -                    | -                                 |                                | 1,000,000                      | 1,000,000                 | 1,000,000                 |
|                                               |                        |                            |                      |                                   |                                |                                |                           |                           |
|                                               | Balance at<br>1 Jul 09 | Granted as<br>remuneration | Options<br>exercised | Net other<br>changes <sup>A</sup> | Held on<br>resignation         | Balan<br>ce at<br>30 Jun<br>10 | Vested during<br>the year | Vested and<br>exercisable |
| <i>Non-executive</i>                          |                        |                            |                      |                                   |                                |                                |                           |                           |
| Miles A                                       | 3,000,000              | 2,000,000                  | (2,000,000)          | (2,250,000)                       |                                | 750,000                        | 2,000,000                 | 750,000                   |
| John R Hutton                                 | -                      | 2,000,000                  | (2,000,000)          | -                                 |                                | -                              | 2,000,000                 | -                         |
| Thomas J Mann<br>(appointed 27<br>April 2010) | -                      | -                          | -                    | -                                 |                                | -                              | -                         | -                         |
| <i>Former</i>                                 |                        |                            |                      |                                   |                                |                                |                           |                           |
| Peter AG Pynes                                | -                      | 2,000,000                  | -                    | -                                 | 2,000,000                      |                                | 2,000,000                 |                           |

A The opening balance as at 1 July 2009, includes the beneficial interest in RNI held by an entity of which Mr Kennedy was an owner. During the year that entity was wound up and accordingly Mr Kennedy's ownership interest reflects his direct holdings. This also includes the expiry of 1,500,000 options with an expiry date of 7 September 2009.

No options held by key management personnel are vested but not exercisable as at 30 June 2010 or 2011.

## 18. Related parties (contd)

### Movement in shares

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

|                      | Balance at<br>1 Jul 10 | Purchased  | Exercise<br>of<br>options | Net<br>change<br>other <sup>A</sup> | Sales       | Held on<br>resignation | Balance at<br>30 Jun 11 |
|----------------------|------------------------|------------|---------------------------|-------------------------------------|-------------|------------------------|-------------------------|
| <i>Non-executive</i> |                        |            |                           |                                     |             |                        |                         |
| Miles A              | 17,970,000             | 14,365,665 | -                         | -                                   | (1,200,000) |                        | 16,770,000              |
| John R Hutton        | 2,236,230              | 4,736,230  | -                         | -                                   | -           |                        | 6,972,460               |
| Thomas J Mann        | 500,000                | 500,000    | -                         | -                                   | -           |                        | 1,000,000               |

|                                               | Balance<br>at<br>1 Jul 09 | Purchased  | Exercise<br>of options | Net<br>change<br>other <sup>A</sup> | Sales     | Held on<br>resignation | Balance at<br>30 Jun 10 |
|-----------------------------------------------|---------------------------|------------|------------------------|-------------------------------------|-----------|------------------------|-------------------------|
| <i>Non-executive</i>                          |                           |            |                        |                                     |           |                        |                         |
| Miles A Kennedy                               | 2,494,209                 | 14,665,315 | 2,000,000              | (370,587)                           | (818,937) |                        | 17,970,000              |
| John R Hutton                                 | 236,230                   | -          | 2,000,000              | -                                   | -         |                        | 2,236,230               |
| Thomas J Mann<br>(appointed 27<br>April 2010) | -                         | 500,000    | -                      | -                                   | -         |                        | 500,000                 |
| <i>Former</i>                                 |                           |            |                        |                                     |           |                        |                         |
| Peter AG Pynes                                | -                         | 50,000     | -                      | -                                   | -         | 50,000                 |                         |

A The opening balance as at 1 July 2009, includes the beneficial interest in RNI held by an entity of which Mr Kennedy was an owner. During the year that entity was wound up an accordingly Mr Kennedy's ownership interest reflects his direct holdings.

No shares were granted to key management personnel during the reporting period as compensation in 2010 or 2011.

## 19. Events subsequent to reporting date

### Shares issued

On 2 August 2011 the Company announced it had extended its option over the two licences which comprise the Three Rivers Project. Consideration for the extension comprised a \$50,000 (plus GST) cash payment along with the issue of 200,000 ordinary shares to Imic Pty Ltd

1. In the opinion of the directors of Resource and Investment NL ("the Company"):
  - (a) the financial statements and notes, and the Remuneration report in the Directors' report, set out on pages 11 to 35, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Company's financial position as at 30 June 2011 and of their performance, for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
  - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a);
  - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2011.

Signed in accordance with a resolution of the directors.

A handwritten signature in dark ink, appearing to read 'J. Hutton', with a large, stylized loop at the beginning.

JOHN HUTTON  
DIRECTOR

Dated at Subiaco this 30 day of September 2011.

## **Independent Auditor's Report To the members of Resource and Investment NL**

### **Report on the Financial Report**

We have audited the accompanying financial report of Resource and Investment NL, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### *Auditor's Responsibility*

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

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

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

#### **Partners**

Kevin Somes FCA  
John Cooke FCA ACIS

#### **Associates**

Julie Burns CA  
Rachelle Rose CA CFP®



### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Resource and Investment NL, would be in the same terms if given to the directors as at the time of this auditor's report.

### *Opinion*

In our opinion:

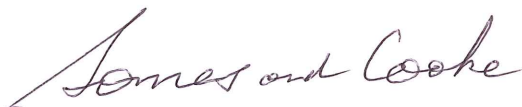
- (a) the financial report of Resource and Investment NL is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 5 to 8 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit in accordance with Australian Auditing Standards.

### *Opinion*

In our opinion, the Remuneration Report of Resource and Investment NL for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.



Somes and Cooke



Kevin Somes  
30 September 2011  
Perth

