

#### NOTE 43 - INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originating by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee.

The adoption of Australian equivalents to IFRS will be first reflected in Resolute's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006. Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

To facilitate an efficient and accurate transition to IFRS reporting, Resolute has established a project team. The project team is chaired by the General Manager Finance and Administration and reports half yearly to the Audit Committee. The project team has a conversion plan, which includes a calculation of the estimate of the financial impact of convergence and preparation of the various opening IFRS-based financial statements, staff training and management information system enhancements for conversion.

Set out below are the key areas where the accounting policies will change and may have an impact on the financial report of Resolute.

##### 1. Financial Instruments

The consolidated entity benefits from the use of derivative financial instruments to manage commodity price exposures.

Under AASB 139 Financial Instruments: Recognition and Measurement, derivative financial instruments will be recognised on the Statement of Financial Position at fair value. This will result in a change in the company's current accounting policy where certain derivative financial instruments are not presently recognised in the Statement of Financial Position at fair value. There are also more stringent requirements to be met in order to apply hedge accounting under AASB 139, which will determine whether changes in the fair value of derivative financial instruments are taken directly to the Statement of Financial Performance or to a new equity account on the statement of financial position.

In order to qualify for hedge accounting, the company is required to meet the following criteria:

- Identify the type of hedge: fair value or cashflow
- Identify the hedged item or transaction
- Identify the nature of the risk being hedged
- Identify the hedging instrument
- Demonstrate that the hedge has and will continue to be highly effective
- Document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

##### *Impact on Resolute*

Resolute is currently working towards meeting the necessary tests in relation to its hedge instruments in order to apply hedge accounting.

In respect of hedge accounting, AASB 139 does not apply retrospectively to the period commencing 1 July 2004, but will apply to Resolute from 1 July 2005.

##### 2. Exploration and Evaluation

No specific IFRS guidance currently exists for the treatment of exploration and evaluation expenditure. An exposure draft ED6 "Exploration for and Evaluation of Mineral Resources" ("ED6"), has been drafted which proposes that the treatment previously used under Australian GAAP may continue to be used subject to impairment testing.

##### *Impact on Resolute*

If the stated "grandfathering" approach embodied in ED6 and discussed by the IASB in July 2004 is implemented, the company expects that the existing policy of accounting for exploration and evaluation will comply with IFRS requirements and therefore no significant difference is expected to result in relation to the recognition of exploration and evaluation assets.