NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year.

Principles of Consolidation

The consolidated financial statements include the financial statements of Resolute Mining Limited (the parent entity), and its controlled entities, referred to collectively as the "consolidated entity".

Subsidiary acquisitions are accounted for using the purchase method of accounting.

All inter-entity balances and transactions have been eliminated. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

Financial statements of foreign controlled entities presented in accordance with overseas accounting principles are, for consolidation purposes, adjusted to comply with the consolidated entity's policy and generally accepted accounting principles in Australia.

Foreign Currency Transactions

Foreign currency items are translated to Australian currency on the following basis:

- transactions are converted at exchange rates approximating those in effect at the date of each transaction;
- amounts payable and receivable that are outstanding at the balance date and are denominated in foreign currencies have been converted to local currency using rates of exchange ruling at the end of the financial year; and
- the financial statements of all self-sustaining foreign operations are translated using the current rate method where exchange gains or losses on translation are recorded in the foreign currency translation reserve. The financial statements of all integrated operations are translated using the temporal method. Exchange differences relating to monetary items are included in the Statement of Financial Performance, as exchange gains or losses, in the period when the exchange rates change, except where the exchange difference relates to the cost of acquisition of an asset under construction or otherwise being made ready for future productive use by the consolidated entity in its own operations. In these cases the exchange difference is included in the cost of the asset.

Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand, at financial institutions at call and gold bullion on hand at year-end.

Inventories

Gold in circuit and stockpiles of unprocessed ore have been valued at the lower of cost and estimated net realisable value. In determining costs, an absorption basis is used including variable costs and an appropriate portion of fixed overheads. Average costs over the relevant period of production are assigned to balance date inventory quantities. Consumables have been valued at cost less an appropriate provision for obsolescence. Cost is determined on a first-in-first-out basis.

Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Where interest is charged it is taken up as income on an accruals basis.

Convertible notes are recognised at cost with any uncollectible amount being provided for at the time of deeming an amount not to be recoverable. Where interest is charged it is taken up as income on an accruals basis.

Deferred Mining Costs

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

Joint Venture Operations

Interests in joint venture operations are brought to account by including in the respective classifications, the share of the individual assets employed and share of liabilities and expenses incurred.

Recoverable Amount

Where carrying values exceed this recoverable amount, assets are written down. In determining the recoverable amount the expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate of 8%.

Property, Plant and Equipment

(a) Cost and Valuation

Property, plant and equipment are carried at cost.

(b) Depreciation

Depreciation is provided on a straight-line basis on all property plant and equipment other than land. Major depreciation periods for the 2003 and 2004 financial reporting periods are:

	Life	Method
Motor vehicles	3 years	straight line
Office equipment	3 years	straight line
Plant and equipment	6 years	straight line