

**RESOURCE FINANCE AND INVESTMENTS LIMITED**  
**ABN 31 109 933 995**

**ANNUAL REPORT**

**FOR THE PERIOD ENDED 30 JUNE 2005**

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**Resource Finance and Investments Limited**  
**ABN 31 109 933 995**

**DIRECTORS' REPORT**

Your directors submit their report on Resource Finance and Investments Limited for the financial period ended 30 June 2005.

Resource Finance and Investments Limited ("RFI" or the "Company") is a company limited by shares that is incorporated and domiciled in Australia.

**Directors**

The company's directors in office during the financial period and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Mr Don Boyer was appointed as a director on 2 August 2004 and continues in office at the date of this report.

Mr Michael Rosenstreich was appointed as a director on 15 December 2004 and continues in office at the date of this report.

Mr Craig McGown was appointed as a director on 7 July 2004 and continues in office at the date of this report.

Mr Kieran Rodgers was appointed as a director on 21 March 2005 and continues in office at the date of this report.

Mr Tom Loh was appointed as an alternate director for Mr Craig McGown on 30 July 2004 and continued in this capacity until his resignation on 22 March 2005.

Mr Ashley Pattison was appointed as an alternate director for Mr Don Boyer on 7 December 2004 and continued in this capacity until his resignation on 15 January 2005.

Mr Paul Benetti was appointed as a director on 7 July 2004 and held that position until his resignation on 16 December 2004.

Mr Ashley Pattison was appointed as a director on 7 July 2004 and held that position until his resignation on 2 August 2004.

**Principal Activities**

During the period the principal activities of the Company consisted of mineral exploration and evaluation of properties in Australia. There has been no significant change in these activities during the financial period.

**Dividends**

No dividends have been paid during the period and no dividends have been recommended by the directors.

**Result for the Financial Period**

**2005**  
**\$**

Loss from ordinary activities after income tax expense

(190,018)

**DIRECTORS' REPORT (CONTINUED)**

**Review of Operations**

***Exploration***

Since incorporation in July 2004, RFI has focused on a strategy of accumulating a substantial land position within the highly prospective Mt Read Volcanics belt ("MRV") in Western Tasmania. Acquisition of the advanced Hellyer exploration project, including the Hellyer and Que River decommissioned mines, was the first stage of a very successful acquisition process that has since resulted in the expansion of the Company's ground position to approximately 1,000 km<sup>2</sup> – the largest in this outstandingly prospective region. The Company is currently formulating an exploration strategy with drilling programmes due to start in the September quarter of 2005.

***Corporate***

In July 2004 the Company successfully completed a capital raising to raise \$382,500 from investors with additional commitments for \$700,000 payable on call by directors. This call was made in April 2005.

During the period RFI entered into the following agreements:

1. On 21 March 2005 the Company entered into an agreement with Intec Hellyer Metals Pty Ltd ("IHM"), a wholly owned subsidiary of Intec Ltd, to acquire a suite of exploration projects within the MRV belt in north-west Tasmania.

The consideration for the acquisition from IHM, approved by shareholders in general meeting on 21 March 2005, was the issue of 8,000,000 fully paid ordinary shares and 2,000,000 options expiring 31 July 2007 with an exercise price of \$0.25 per share.

2. On 27 April 2005 the Company entered into an agreement with Pioneer Nickel Limited ("Pioneer") under which Pioneer and RFI agreed to conduct a farm-in and joint venture over two mineral exploration tenements ("Pioneer Tenements") in Tasmania.

The Pioneer Agreement granted the Company an option over the farm-in for the payment to Pioneer of \$5,000 per month from execution until either the successful IPO of the Company or 30 June 2005, whichever occurs first. The agreement was varied on 30 June 2005 to extend the life of the agreement to 30 September 2005.

The Company can earn a 70% interest in the Pioneer Tenements by expending \$300,000 on exploration activities. The Company cannot withdraw from the Pioneer Agreement until it has spent \$100,000 on the Pioneer Tenements.

When the Company has earned a 70% equity in the Pioneer Tenements, Pioneer can elect to contribute to future exploration and expenses on a pro-rata basis in accordance with its equity interest. If Pioneer chooses not to contribute to future exploration the Company can increase its equity in the Pioneer Tenements to 80% by the expenditure of a further \$300,000 on the Pioneer Tenements. Once the Company has earned an 80% interest in the joint venture Pioneer can elect to either contribute or dilute according to a standard formula

The Company is obliged to issue Pioneer with 150,000 options with a \$0.25 exercise price and 31 July 2007 expiry date upon its successful listing on the Australian Stock Exchange ("ASX").

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**DIRECTORS' REPORT (CONTINUED)**

The Pioneer Agreement is subject to the following conditions precedent being satisfied:

- (a) that the Company be successfully floated on the ASX and raise at least \$2,500,000;
  - (b) the Company organising an independent technical analysis of the Pioneer Tenements;
  - (c) the Company being satisfied in relation to the obligations that exist on any of the Pioneer Tenements; and,
  - (d) any regulatory approvals necessary to enable the formation of the proposed joint venture being obtained.
3. On 27 April 2005 the Company entered into an agreement with Adamus Resources Limited ("Adamus"), under which Adamus and the Company agreed to conduct a farm-in and joint venture over two granted exploration tenements ("Adamus Tenements"). The Adamus Tenements are 100% owned by Adamus who in consideration for the assumption by the Company of 100% of Adamus' expenditure commitments on the Adamus Tenements until 31 January 2006, have agreed to grant the Company a 60% interest in the Adamus Tenements.

The Adamus Agreement is subject to the following conditions precedent being satisfied:

- (a) the Company organising an independent technical analysis of the Adamus Tenements;
- (b) the Company being satisfied in relation to the obligations that exist on any of the Adamus Tenements; and
- (c) any regulator approvals necessary to enable the formation of the proposed joint venture.

Pursuant to the Adamus Agreement the Company also agreed to assume responsibility for an expenditure deficiency on the Adamus Tenements to 31 January 2005 of \$152,000 which was carried over to the current expenditure year. The Company may in its sole discretion elect to reduce the Adamus tenements to a level not less than 48km<sup>2</sup> in the case of EL28/2002 and 55km<sup>2</sup> in the case of EL29/2002. The Company has exercised its discretion and consequently a submission to reduce EL28/2002 to 54km<sup>2</sup> and EL29/2002 to 58km<sup>2</sup> has been made to Mineral Resources Tasmania ("MRT").

Upon the Company earning a 60% interest in the Adamus Tenements a formal joint venture will be formed whereby the Company will hold a 60% interest and Adamus a 40% interest, and each party will contribute to the costs of exploration on a pro-rata basis. Failure to contribute will result in a dilution of the non-contributing party's interest. Should Adamus' equity fall to 10% or below then its interest will automatically convert to a 1.5% net smelter return royalty over production.

The Company has the right to increase its equity in the Adamus Tenements to 75% by the issue of 350,000 fully paid ordinary of its shares to Adamus at any time up to two years following its earning of a 60% interest in the Adamus Tenements.

The Company has a first right of refusal in the event that Adamus elects to dispose of either part or all of its interest in EL18/2002.

**DIRECTORS' REPORT (CONTINUED)**

4. On 10 May 2005 the Company entered into an agreement with Geoinformatics Exploration Tasmania Pty Ltd and Geoinformatics Exploration Inc. ("GEX") to:
- (a) Acquire a 75% interest in the nine tenements owned by GEX surrounding the tenements acquired from IHM;
  - (b) Utilise the GEX Geoinformatics Process to advance the Company's tenements in the Mt Read Volcanics belt;
  - (c) Form a joint venture with GEX on newly acquired and generated targets within the Mt Read Volcanics belt; and
  - (d) Grant a first right of refusal to the Company to participate in a Tasmania wide alliance that gives the Company access to the Geoinformatics Process.

All conditions precedent have been met and settlement of this agreement is expected to take place in the September quarter of 2005 with the issue of 150,000 fully paid ordinary shares to GEX.

**Significant Changes in the State of Affairs**

There were no other significant changes in the state of affairs of the Company other than those noted above.

**Matters Subsequent to the End of the Financial Period**

The following significant event has taken place since the end of the financial period:

The Company is in discussions with a major resources group in relation to a joint venture over the Hellyer leases. The terms are still to be finalised and approved but it would involve both parties contributing \$1.0 million over 2 years to an agreed exploration programme managed by RFI. Subject to success, the incoming party will have a right to earn up to 70% interest in specified sub-areas of the Hellyer leases with RFI being free carried to a development decision stage

Other than that shown above, no other matter or circumstance has arisen since 30 June 2005 that has significantly affected, or may significantly affect:

- (a) the Company's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Company's state of affairs in future financial years.

**Likely Developments and Expected Results**

The likely developments in the operation of the Company and the expected results of those operations in future financial years are as follows:

- The Company will continue to secure a strategic land position incorporating a full spectrum of targets from advanced drill ready prospects to conceptual large scale anomalies.
- Plans are in place for a September quarter start on a drill programme on the Company's advanced Hellyer project.

**DIRECTORS' REPORT (CONTINUED)**

- Implementation of a strategy to explore and assess other regional projects with the aim of identifying gold and copper-zinc targets, as well as taking advantage of opportunities to assess these areas for other commodities.

**Environmental Regulation**

The Company is subject to environmental regulation in respect of its exploration activities. The Company makes every effort to comply with the relevant regulations.

**Directors**

**Mr Don Boyer** - Non-executive Chairman (independent)  
**BSc (Hons), CP Geo, FAIMM, MAIG, MAICD**

Mr Boyer is a geologist and resource company manager with over 34 years experience in gold and base metals exploration and management of resource projects in Australia and overseas.

He has considerable experience in exploration management, project management and assessment, feasibility studies and development analysis. His experience includes responsibility for technical operations from project acquisition through discovery to production and has been instrumental in the listing of a number of successful junior exploration companies.

Mr Boyer was Managing Director of Gilt-Edged Mining NL, from its listing in 1996 until the successful take-over of that company by Goldfields Limited in 2000 and has held management positions in various companies including MIM Holdings Limited's exploration division, a subsidiary of the French group COGEMA, and a number of listed Australian resource companies, including most recently the Managing Director position with Australian Mines Ltd.

He is currently the non-executive chairman of Western Areas NL and Midas Resources Ltd.

**Mr Mike Rosenstreich** - Managing Director  
**BSc(Hons), MMEE, MAIMM**

Mr Rosenstreich has a strong combination of technical and commercial skills gained over the past 20 years in the banking and mining sectors. He is a geologist with 12 years of experience gained in both exploration and mining roles including senior management positions with companies including Homestake Mining, Dominion Mining and Consolidated Gold.

Since then he was a senior member of the Rothschild resource finance team where he was involved in domestic and offshore project and corporate financings covering a range of commodity types. He left Rothschild in late 2002 to become involved with several junior and start-up resources companies in management, corporate advisory and technical consulting roles.

Graduating in 1984 from Otago University (NZ) with an Honours degree in Geology, he went on to complete a Masters of Mineral and Energy Economics at Macquarie University in 1996. He is a member of the Australian Institute of Mining and Metallurgy.

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**DIRECTORS' REPORT (CONTINUED)**

**Mr Craig McGown** - Non-executive Director

***B. Comm, FCA, ASIA***

Mr McGown has more than 25 years experience in corporate finance, covering mergers and acquisitions, capital raisings in both domestic and international financial markets, asset acquisitions and asset disposals, initial public offerings and corporate restructurings.

He holds a Bachelor of Commerce degree from the University of Western Australia, is a Fellow of the Institute of Chartered Accountants and an Affiliate of the Securities Institute of Australia.

Mr McGown has significant experience with capital raisings in both domestic and foreign financial markets and has been involved in a number of successful capital raising transactions. Craig has also served on the Boards of a number of listed and unlisted companies including Resource Finance Corporation Limited as an executive director. He is currently executive chairman of DJ Carmichael Pty Limited.

**Mr Kieran Rodgers** - Non-executive Director

***B.E. (Hons.) Min. (UNSW), MBA (IMD)***

Mr Rodgers is the current Chief Financial Officer and Business Development Manager of Intec. He joined Intec in March 2001 after 13 years of experience in merchant banking and financial consulting, largely with Resource Finance Corporation Ltd, with a specific focus on the Australian and international resources industry.

Prior to entering the merchant banking sector, he gained three years of operational mining engineering experience in the gold and base metals industries, including at the Cobar copper mine.

**Company Secretary**

**Mr Desmond Kelly**

Mr Kelly has a Bachelor of Commerce from the University of Western Australia and is a Certified Practising Accountant (CPA). He is a member of both CPA Australia and the Australian Institute of Company Directors. Mr Kelly has held more than a dozen company secretary positions and several directorships for resource sector companies during his 30 year career.

**Meetings of Directors**

The following table sets out the number of meetings of the Company's directors held during the period ended 30 June 2005 and the number of meetings attended by each director.

	<b>Held</b>	<b>Attended</b>
Mr D Boyer	7	7
Mr M Rosenstreich	4	4
Mr C McGown	9	8
Mr K Rodgers	2	2
Mr A Pattison	2	2
Mr P Benetti	5	4

As at the date of this report the Company has not formed any committees as the directors consider that at present the size of the Company does not warrant such. Audit, corporate governance, director nomination and remuneration matters are all handled by the full board.

**DIRECTORS' REPORT (CONTINUED)**

**Proceedings on Behalf of the Company**

No person has applied to the Court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of the proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under Section 237 of the Corporations Act 2001.

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 37.

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to read 'M. Rosenstreich', with a long horizontal flourish extending to the right.

**M Rosenstreich**  
**Managing Director**

West Perth, Western Australia  
1 August 2005

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**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE PERIOD ENDED 30 JUNE 2005**

	<b>Note</b>	<b>30.06.05</b> <b>\$</b>
<b>Revenues from ordinary activities</b>	<b>3</b>	<u>16,867</u>
Expenses from ordinary activities:		
Administration expenses		(197,474)
Bank and financing costs		(3,190)
Project evaluation expenses		<u>(6,221)</u>
<b>Loss from ordinary activities before income tax expense</b>	<b>4</b>	(190,018)
Income tax expense	<b>5</b>	<u>-</u>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<u>(190,018)</u>

*The Statement of Financial Performance should be read in conjunction with the accompanying  
Notes to the Financial Statements*

**Resource Finance and Investments Limited**  
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**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2005**

	<b>Note</b>	<b>30.06.05</b> <b>\$</b>
<b>CURRENT ASSETS</b>		
Cash assets	6	517,476
Receivables	7	24,585
Prepayments	8	851
<b>Total Current Assets</b>		<u>542,912</u>
<b>NON-CURRENT ASSETS</b>		
Receivables	9	85,000
Plant & equipment	10	17,499
Exploration and evaluation expenditure	11	1,537,116
<b>Total Non-Current Assets</b>		<u>1,639,615</u>
<b>TOTAL ASSETS</b>		<u>2,182,527</u>
<b>CURRENT LIABILITIES</b>		
Payables	12	70,489
<b>Total Current Liabilities</b>		<u>70,489</u>
<b>TOTAL LIABILITIES</b>		<u>70,489</u>
<b>NET ASSETS</b>		<u>2,112,038</u>
<b>EQUITY</b>		
Contributed equity	13	2,230,256
Reserves	14	71,800
Accumulated losses	15	<u>(190,018)</u>
<b>TOTAL EQUITY</b>		<u>2,112,038</u>

*The Statement of Financial Position should be read in conjunction with the accompanying  
Notes to the Financial Statements*

**Resource Finance and Investments Limited**  
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**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2005**

	<b>Note</b>	<b>30.06.05</b> <b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees		(154,235)
Other – security deposits		(85,000)
Interest received		<u>15,898</u>
<b>Net cash flows (used in) operating activities</b>	23	<u>(223,337)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for plant & equipment		(17,906)
Payments for exploration properties		(68,067)
Expenditure on exploration		<u>(203,470)</u>
<b>Net cash flows (used in) investing activities</b>		<u>(289,443)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares		1,082,523
Costs of share issues		<u>(52,267)</u>
<b>Net cash flows from financing activities</b>		<u>1,030,256</u>
Net movement in cash		517,476
Cash at the beginning of the financial period		<u>0</u>
<b>Cash at the end of the financial period</b>	6	<u>517,476</u>

*The Statement of Cash Flows should be read in conjunction with the accompanying Notes to the Financial Statements*

**Resource Finance and Investments Limited**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This financial report is a general purpose financial report prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001. Unless otherwise stated, policies adopted in the preparation of the financial report are consistent with those of the previous accounting period.

The financial report covers Resource Finance and Investments Limited as an individual entity. The period covered by this financial report is from incorporation on 7 July 2004 to 30 June 2005.

Set out below is a summary of significant accounting policies adopted in the preparation of the financial report.

(a) Basis of Preparation

The financial report has been prepared on an accrual basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair value of the consideration given in exchange for assets.

(b) Property, Plant & Equipment

Plant and equipment is measured on the cost basis.

The carrying amount of plant & equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. Recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

Depreciation is calculated on the prime cost method and is brought to account over the estimated economic lives of all plant and equipment. The depreciation rates used are:

Office furniture	20%
Office computer equipment	33.33%

(c) Income Tax

The Company adopts the liability method of tax effect accounting whereby the income tax expense shown in Statement of Financial Performance is based on the loss from ordinary activities before income tax adjusted for any permanent differences.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of loss from ordinary activities before income tax and taxable income are brought to account as either a provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(d) Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

(e) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of the acquisition plus costs incidental to the acquisition. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

(f) Mineral Exploration Costs

The Company's policy with respect to costs of exploration properties is to use the area of interest method.

Exploration and evaluation costs 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 and evaluation costs.
- (ii) Exploration and evaluation costs related to an area of interest are carried forward provided that rights to tenure of the area of interest are current and that one of the following conditions is met:
  - Such costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sale; or

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

- Exploration and/or evaluation activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing.
  - (iii) Exploration and evaluation costs accumulated in respect of each particular area of interest include only net direct expenditure.
  - (iv) Exploration and evaluation costs accumulated in respect of each particular area of interest include only net direct expenditure.
  - (v) The Company has minimum annual expenditure commitments to maintain its tenements in good standing. These expenditure commitments are disclosed at Note 20.
  - (vi) The directors believe that the Company will maintain the tenements in good standing for at least the next twelve months.
  - (vii) The carrying values of mineral tenements are reviewed annually by the directors where results of exploration and/or evaluation of an area of interest are sufficiently advanced to permit a reasonable estimate of the amount expected to be recouped through successful development of the area of interest or by its sale. Expenditure in excess of this estimate is written off to the Statement of Financial Performance in the period in which the review occurs.
- (g) Employee Entitlements
- (i) Salaries, wages and annual leave  

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within twelve months of the reporting date are recognised in other creditors in respect to employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.
  - (ii) Equity based compensation benefits are provided to employees via the Resource Finance and Investments Limited Share Purchase Plan and the Resource Finance and Investments Limited Employee Option Plan. Information relating to these schemes is set out in Note 13.  

No accounting entries are made in relation to the Resource Finance and Investments Limited Employee Option Plan until options are exercised, at which time the amounts receivable from employees are recognised in the Statement of Financial Position as share capital. The amounts disclosed for remuneration of directors and executives in Note 17 include the assessed fair values of shares and options at the date they were granted.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(h) Trade Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where some doubt as to collection exists.

(i) Trade creditors

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(j) Recoverable Amount of Non-current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows used in determining recoverable amount are not discounted to their present value.

(k) Leased Non-current Assets

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(l) Revenue Recognition

Amounts disclosed as revenue are net of duties and taxes paid. Revenue is recognised as follows:

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(i) Interest

Interest earned is recognised as and when it is receivable, including interest which is accrued and is readily convertible to cash within two working days. Accrued interest is recoded as part of other debtors.

(ii) Sundry income

Sundry income is recognised as and when it is receivable. Income receivable, but not received at balance date, is recorded as part of other debtors.

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

**2. SEGMENT INFORMATION**

The Company operates predominantly in one business segment, being mining and exploration and in one geographical segment being Australia.

	Note	2005 \$
<b>3. REVENUE</b>		
<b>Revenue from outside operating activities</b>		
Interest income		15,898
Other income		969
Revenue from ordinary activities		16,867
<b>4. LOSS FROM ORDINARY ACTIVITIES</b>		
Loss from ordinary activities before income tax expense includes the following specific expenses:		
Exploration expenditure written off		6,221
Depreciation and amortisation		406

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

	Note	2005 \$
<b>5. INCOME TAX</b>		
<b>Income tax expense</b>		
The income tax expense for the financial period differs from the amount calculated on the operating loss, and is reconciled as follows:		
Loss from ordinary activities before income tax		(190,018)
Prima facie tax benefit at 30%		(57,005)
To which is added back to tax effects of permanent differences:		
Non allowable items mainly relating to the acquisition of assets		4,878
Future income tax benefit not brought to account		52,127
Income tax expense		-

The potential tax benefit of tax losses amounting to \$52,127 has not been brought to account in these financial statements as realisation of the benefit cannot be regarded as being assured beyond any reasonable doubt. The potential future income tax benefit will be obtainable only if:

- (a) The Company derives future assessable income of a nature and of an amount sufficient to enable the benefit of the deductions for the loss to be realised,
- (b) the Company continues to comply with the conditions for deductibility imposed by tax legislation, and
- (c) no changes in income tax legislation adversely affects the Company in realising the benefit of the deduction for the losses.

	Note	2005 \$
<b>6. CURRENT ASSETS – CASH ASSETS</b>		
Cash at bank and on hand		517,476

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

	Note	2005 \$
<b>7. CURRENT ASSETS - RECEIVABLES</b>		
Other debtors		24,585
<b>8. CURRENT ASSETS - PREPAYMENTS</b>		
Operating cost prepayments		851
<b>9. NON-CURRENT ASSETS - RECEIVABLES</b>		
Tenement security deposits		85,000
<p>Tenement security deposits are held in fixed term deposits of three months duration. These amounts are not available for use and thus do not constitute cash assets.</p>		
<b>10. NON-CURRENT ASSETS – PROPERTY, PLANT &amp; EQUIPMENT</b>		
Plant & equipment – at cost		17,905
Less accumulated depreciation		(406)
Total plant & equipment		17,499

**Reconciliations**

Reconciliations of the carrying amounts of each class of property, plant & equipment at the beginning and end of the current financial period is as set out below:

	Plant & equipment \$	Total \$
Carrying amount at the beginning of the financial period	-	-
Additions	17,905	17,905
Disposals	-	-
Depreciation expense	(406)	(406)
Carrying amount at the end of the financial period	17,499	17,499

**Resource Finance and Investments Limited**  
**ABN 31 109 933 995**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

	Note	2005 \$
<b>11. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION</b>		
The Company has mineral exploration costs carried forward in respect of areas of interest currently in the phase of exploration and evaluation:		
Balance at the beginning of the period		-
Exploration properties acquired		1,334,867
Expenditure incurred for the period		208,470
Expenditure written off during the period		<u>(6,221)</u>
Balance at the end of the period		<u>1,537,116</u>
Ultimate recoupment of costs carried forward in respect of areas of interest in the exploration and evaluation phase is dependent on successful development and commercial exploitation, or alternatively, sale of respective areas at an amount at least equivalent to the carrying value.		
<b>12. CURRENT LIABILITIES - PAYABLES</b>		
Trade creditors		23,122
Accrued expenses		<u>47,367</u>
		<u>70,489</u>
<b>13. CONTRIBUTED EQUITY</b>		
<b>(a) Share capital</b>		
Ordinary shares		
Fully paid – 18,250,003		<u>2,230,256</u>

**Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares.

On a show of hands every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

	No. of shares	Issue price \$	\$
<b>(b) Movements in ordinary share capital</b>			
<b>Balance at beginning of the financial period</b>	-		-
Issue of initial shares – 8 July 2004	2	11.00	22
Issue of initial shares – 8 July 2004	1	1.00	1
Issued pursuant to placement – 20 July 2004	3,250,000	0.01	32,500
Conversion of partly paid shares to fully paid – 21 March 2005	7,000,000	0.15	1,050,000
Issued pursuant to placement – 19 April 2005	8,000,000	0.15	1,200,000
Cost of share issues			(52,267)
<b>Balance at 30 June 2005</b>	<b>18,250,003</b>		<b>2,230,256</b>
<b>(c) Movements in partly paid shares</b>			
<b>Balance at beginning of the financial period</b>	-		-
Issue of partly paid shares pursuant to a prospectus – 5 August 2004	7,000,000	0.05	350,000
Final call – 21 March 2005	-	0.10	700,000
Conversion to fully paid shares – 21 March 2005	(7,000,000)	-	(1,050,000)
<b>Balance at 30 June 2005</b>	<b>-</b>		<b>-</b>

**Resource Finance and Investments Limited Share Purchase Plan**

The establishment of the Resource Finance and Investments Limited Share Purchase Plan was approved by shareholders at a general meeting held 21 March 2005. The directors of the Company may in its absolute discretion make offers of shares and, on behalf of the Company, make corresponding loans to an eligible employee of the Company to which the Board has resolved that the Share Purchase Plan shall for the time being apply. The Board may, subject to any approvals of shareholders of the Company required by law, and at intervals determined by the Board, invite any eligible employee to participate in the Share Purchase Plan.

Participation is optional and subject to the Rules of the Plan.

Offers made under the Share Purchase Plan are not renounceable.

**Resource Finance and Investments Limited**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

A maximum number of 250,000 shares will apply to each eligible employee.

The price per share under the Share Purchase Plan is market value.

There are currently no shares issued under this Plan.

**(d) Options**

<b>No. of Ordinary Shares Subject to Option</b>	<b>Expiration Date</b>	<b>Exercise Price \$</b>
3,750,000	31 July 2007	0.25
2,000,000	31 December 2007	0.25

**(e) Movements in options**

	<b>No. of Options</b>	<b>Exercise Price \$</b>
<b>Balance at the beginning of the financial period</b>	-	
Issued - 16 December 2004	1,750,000	0.25
Issued - 19 April 2005	2,000,000	0.25
Issued - 30 June 2005	2,000,000	0.25
<b>Balance at 30 June 2005</b>	<b>5,750,000</b>	

**Resource Finance and Investments Limited Employee Option Plan**

The establishment of the Resource Finance and Investments Limited Employee Option Plan was approved by shareholders at a general meeting held 21 March 2005. The directors of the Company will administer the Employee Option Plan and in their absolute discretion determine to whom the securities will be offered, the number to be offered and any performance criteria that may apply before options may be exercised.

Options may not be offered to a director or associates except where approval is given by shareholders at a general meeting.

Options are granted under the plan for no consideration. Options may not be exercised during the initial period of one year from the date of allotment, and will expire no later than five years from the date of allotment. Options issued under the Plan will automatically lapse in 30 days in the event that the eligible person either resigned voluntarily from employment with the Company or is dismissed in certain circumstances.

Options issued under this Plan carry no dividend or voting rights.

**Resource Finance and Investments Limited**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

On exercise, each option is convertible to one ordinary share within 10 business days of the receipt of the exercise notice and payment of the exercise price in Australian dollars.

Amounts received on the exercise of options are recognised as share capital.

Set out below is a summary of options granted under this plan.

	No. of Options	Exercise Price \$
<b>Balance at the beginning of the financial period</b>	-	
Issued – 30 June 2005	500,000	0.25
<b>Balance at 30 June 2005</b>	<b>500,000</b>	

	Note	2005 \$
--	------	------------

**14. RESERVES**

Reserves at the beginning of the financial period		-
Option premium reserve		71,800
Reserves at the end of the financial period		71,800

The option premium reserve represents the deemed value of the issue of 2,000,000 options valued at 3.59 cents, issued pursuant to shareholder approval at a general meeting held 21 March 2005, as partial settlement of a contract to acquire exploration property assets. The value has been determined using the Black-Scholes method.

**15. ACCUMULATED LOSSES**

Accumulated losses at the beginning of the financial period		-
Loss from ordinary activities after income tax		(190,018)
Accumulated losses at the end of the financial period		(190,018)

**16. FINANCIAL INSTRUMENTS**

**(a) Credit risk exposure**

The credit risk exposure to the Company to financial assets which have been recognised on the Statement of Financial Position is not materially different from the carrying amount net of any provision for doubtful debts.

**Resource Finance and Investments Limited**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**(b) Interest rate risk exposure**

The Company's exposure to interest rate risk and the effective weighted average interest rate for each class of financial asset and financial liability is set out below:

2005	Note	Floating interest rate \$	Fixed interest 1 year or less \$	Non-interest bearing \$	Total
<b>Financial assets</b>					
Cash	6	484,288	-	33,188	517,476
Receivables	7, 9	-	85,000	24,585	109,585
		484,288	85,000	57,773	627,061
Weighted average interest rate		5.5%	5.4%	-	
<b>Financial liabilities</b>					
Payables	11	-	-	70,489	70,489
		-	-	70,489	70,489
Weighted average interest rate		-	-	-	
<b>Net financial assets/(liabilities)</b>		484,288	85,000	(12,716)	556,572

**(c) Net fair value of assets and liabilities**

The net fair values of financial assets and financial liabilities of the Company approximate their carrying values.

**17. DIRECTOR AND EXECUTIVE DISCLOSURES**

**Directors**

The following persons were directors of Resource Finance and Investments Limited during the financial period:

***Chairman – non-executive***

Mr D Boyer (from 2 August 2004)

**Resource Finance and Investments Limited**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

***Executive director***

Mr M Rosenstreich (from 15 December 2004)

Mr Rosenstreich has been contracted by the Company as Managing Director on a monthly consulting fee basis. On the successful completion of a capital raising sufficient to fund the Company's exploration activities a formal Employment Contract will come into effect.

***Non-executive directors***

Mr C McGown (from 7 July 2004)

Mr K Rodgers (from 21 March 2005)

Mr A Pattison (from 7 July 2004 to 2 August 2004 and alternate for Mr D Boyer from 7 December 2004 to 15 January 2005)

Mr P Benetti (from 7 July 2004 to 16 December 2004)

Mr T Loh (alternate for Mr C McGown from 30 July 2004 to 22 March 2005)

**Executives (other than directors) with the greatest authority for the strategic direction and management**

The following persons were the executives, other than executive directors, with authority for the strategic direction and management of the Company ("specified executives") during the financial period:

<b>Name</b>	<b>Position</b>
Mr D Kelly	Company Secretary (from 16 March 2005)
Mr A Pattison	Company Secretary (from 7 July 2004 to 15 March 2005)

**Remuneration of directors and executives**

***Principles used to determine the nature and amount of remuneration***

The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The remuneration framework has regard to shareholders' interests in the following ways:

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

- Focuses on sustained growth as well as focusing the executive on key non-financial drivers of value, and
- Attracts and retains high calibre executives.

The remuneration framework has regard to executives' interests in the following ways:

- Rewards capability and experience,
- Reflects competitive reward for contributions to shareholder growth,
- Provides a clear structure for earning rewards, and
- Provides recognition for contribution.

***Non-executive directors***

During the period there were no payments or fees to non-executive directors. At present remuneration consists of long term incentives only, by way of the issue of options. Non-executive directors are also eligible for participation in the Resource Finance and Investments Limited Share Purchase Plan and the Resource Finance and Investments Limited Employee Option Plan.

***Executives***

Executive remuneration packages include base salary and benefits, long term incentives through participation in the Resource Finance and Investments Limited Share Purchase Plan and the Resource Finance and Investments Employee Option Plan and other remuneration such as superannuation.

***Base salary***

Structured as a total employment cost package comprising cash, leave benefits and superannuation. Executives' remuneration is reviewed annually with regard to competitiveness and performance.

There are no guaranteed salary increases fixed in any senior executives' contracts.

***Benefits***

Executives may receive reimbursements of out-of-pocket expenses incurred in the undertaking of their duties, including reasonable travel, accommodation and entertainment expenses.

***Resource Finance and Investments Limited Share Purchase Plan***

Information on the Resource Finance and Investments Limited Share Purchase Plan is set out in Note 13.

**Resource Finance and Investments Limited**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

***Resource finance and Investments Employee Option Plan***

Information on the Resource Finance and Investments Limited Employee Option Plan is set out in Note 13.

***Details of remuneration***

Details of the remuneration of each director and specified executive of the Company are set out in the following tables:

***Directors***

	<b>Fees</b> \$	<b>Options</b> \$	<b>Total</b> \$
Mr D Boyer	-	19,600	19,600
Mr M Rosenstreich	64,000	13,720	77,720
Mr C McGown	-	15,680	15,680
Mr K Rodgers	-	9,800	9,800
Mr A Pattison	-	-	-
Mr P Benetti	-	-	-
<b>Total</b>	<b>64,000</b>	<b>58,800</b>	<b>122,800</b>

***Specified executives***

	<b>Fees</b> \$	<b>Options</b> \$	<b>Total</b> \$
Mr D Kelly	5,618	9,800	15,418
Mr A Pattison	-	9,800	9,800
<b>Total</b>	<b>5,618</b>	<b>19,600</b>	<b>25,218</b>

***Employment agreements***

**Mr M Rosenstreich**

Remuneration and other terms of employment for the Managing Director is formalised in an employment agreement. This agreement provides for a total package amount inclusive of prescribed superannuation and for participation in the Resource Finance and Investments Limited Share Purchase Plan and Employee Option Plan. Other major provisions of the agreement relating to remuneration are as follows:

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

- Term – three years or until renegotiated or terminated in accordance with the agreement.
- Total cash package of \$170,000, to be reviewed annually.
- Termination – three months notice or the payment of three month's salary in lieu of notice.

Mr D Kelly

Remuneration and other terms of employment for the Company Secretary is formalised in a letter agreement. This agreement provides for consulting fees paid on a time charged basis and for participation in the Resource Finance and Investments Limited Share Purchase Plan and Employee Option Plan. Other major provisions of the agreement relating to remuneration are as follows:

- Term – No fixed term.
- Termination – by way of resolution of the board of directors. No notice period.

***Share based compensation – options***

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

<b>Grant date</b>	<b>Expiry date</b>	<b>Exercise price</b>	<b>Value per option at grant date</b>	<b>Date exercisable</b>
<b><u>1,750,000 options</u></b>				
30 June 2005	31 December 2007	25 cents	3.92 cents	Any time prior to or on 31 December 2007
<b><u>125,000 options</u></b>				
30 June 2005	31 December 2007	25 cents	3.92 cents	Any time after 15 March 2006 and prior to or on 31 December 2007
<b><u>125,000 options</u></b>				
30 June 2005	31 December 2007	25 cents	3.92 cents	Any time after 15 March 2007 and prior to or on 31 December 2007

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

1,500,000 options were granted pursuant to shareholder approval at a general meeting held 21 March 2005 and a further 500,000 options were granted subsequently pursuant to shareholder approval of the Resource Finance and Investments Limited Employee Option Plan at a general meeting held 21 March 2005.

***Equity instrument disclosures relating to directors and executives***

Options provided as remuneration

Details of options over ordinary shares provided as remuneration to each director and specified executive of the Company are set out below. When exercised each option is convertible to one ordinary share in Resource Finance and Investments Limited.

*Directors*

<b>Name</b>	<b>Balance at the start of the period</b>	<b>Issued during the period</b>	<b>Exercised during the period</b>	<b>Expired during the period</b>	<b>Balance at the end of the period</b>	<b>Vested and exercisable at the end of the period</b>
Mr D Boyer	-	500,000	-	-	500,000	500,000
Mr M Rosenstreich	-	350,000	-	-	350,000	350,000
Mr C McGown	-	400,000	-	-	400,000	400,000
Mr K Rodgers	-	250,000	-	-	250,000	250,000

*Specified executives*

Mr D Kelly	-	250,000	-	-	250,000	-
Mr A Pattison	-	250,000	-	-	250,000	250,000

The exercise price of all options shown above is 25 cents.

There were 250,000 options granted and not vested at the end of the period.

**Shareholdings**

The numbers of shares in the Company held during the financial period by each director and specified executive of the Company, including their personally related entities are as set out below:

**Resource Finance and Investments Limited**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Directors**

Name	Balance at the start of the period	Acquired during the period	Sold during the period	Balance at the end of the period
Mr D Boyer	-	360,000	-	360,000
Mr M Rosenstreich	-	-	-	-
Mr C McGown	-	579,531	-	579,531
Mr K Rodgers <sup>1</sup>	-	8,000,000	-	8,000,000

<sup>1</sup> 8,000,000 ordinary fully paid shares were issued to Intec Hellyer Metals Pty Ltd, an entity related to Mr Rodgers.

**Specified executives**

Name	Balance at the start of the period	Acquired during the period	Sold during the period	Balance at the end of the period
Mr D Kelly	-	-	-	-
Mr A Pattison	-	1	-	1

**Other transactions with directors and specified executives**

Transactions with directors and specified executives, other than remuneration related transactions, are set out in Note 21.

**Resource Finance and Investments Limited**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

		Note	2005 \$
<b>18.</b>	<b>REMUNERATION OF AUDITORS</b>		
	Amounts received or due and receivable by the auditors for:		
	Audit or review of the financial reports of the Company		5,500
	Other services		9,040
			14,540
<b>19.</b>	<b>CONTINGENT LIABILITIES</b>		
	At the end of the financial period the Company had no contingent liabilities.		
<b>20.</b>	<b>COMMITMENTS FOR EXPENDITURE</b>		
	<b>Exploration Tenements</b>		
	In order to maintain current rights of tenure to exploration tenements, the Company is required to outlay rentals and to meet the minimum expenditure requirements of Mineral Resources Tasmania. These obligations are not provided for in the financial statements and are payable:		
	Not later than one year		758,484
	Later than one year but not later than five years		755,361
	Later than five years		-
			1,513,845
<b>21.</b>	<b>RELATED PARTIES</b>		
	<b>Directors and specified executives</b>		
	Disclosures relating to the remuneration and shareholdings of directors and specified executives are set out in Note 17.		
	Other transactions with directors, their associates and director related entities are as follows:		
	1. D J Carmichael Pty Ltd, an entity related to Mr C McGown, was paid \$97,898 for company secretarial and management fees and consulting fees in relation to capital raisings.		

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

2. Boyer Exploration Pty Ltd, an entity related to Mr D Boyer, was paid \$20,878 for exploration and management consulting, and was reimbursed at cost for expenditure made on behalf of the Company.
3. Intec Hellyer Australia Pty Ltd, an entity related to Mr Kieran Rodgers, was issued with 8,000,000 ordinary fully paid shares at 15 cents each and 2,000,000 options to acquire ordinary shares valued at 3.59 cents each as consideration for the purchase of exploration properties totalling \$1,271,800, pursuant to an agreement dated 21 March 2005.

**22. EVENTS OCCURRING AFTER BALANCE DATE**

The following significant event has taken place since the end of the financial period:

The Company is in discussions with a major resources group interested in a Joint Venture over the Hellyer leases. The terms are still to be finalised and approved but it would involve both Parties contributing \$1.0 million over 2 years to an Exploration Alliance budget managed by RFI. Subject to success, the incoming party will have a right to earn up to 70% interest in specified sub-areas of the Hellyer leases with RFI being free carries to a development decision stage

	Note	2005 \$
<b>23. RECONCILIATION OF LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>		
<b>Loss from ordinary activities after income tax</b>		(190,018)
Exploration expenditure written off		6,221
Depreciation expense		406
Increase in receivables		(110,435)
Increase in payables		70,489
<b>Net cash outflow from operating activities</b>		(223,337)
<b>24. NON-CASH FINANCING AND INVESTING ACTIVITIES</b>		
Settlement of an agreement to acquire exploration properties by way of issue of ordinary shares and options		1,271,800

During the financial period the Company issued 8,000,000 ordinary shares at 15 cents each and 2,000,000 options to acquire ordinary shares valued at 3.59 cents each, using the Black-Scholes model, in settlement of a binding contract to purchase exploration properties.

**Resource Finance and Investments Limited**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**25. EMPLOYEE BENEFITS**

At the end of the financial period the Company had no provisions for employee benefits and related on-costs.

**Resource Finance and Investments Limited Share Purchase Plan**

Information on the Resource Finance and Investments Limited Share Purchase Plan is set out in Note 13.

**Resource Finance and Investments Limited Employee Option Plan**

Information on the Resource Finance and Investments Limited Employee Option Plan is set out in Note 13.

Set out below are summaries of options granted under the Plan.

	<b>No. of Options</b>	<b>Exercise Price \$</b>
<b>Balance at the beginning of the financial period</b>	-	
Issued – 30 June 2005	500,000	0.25
<b>Balance at 30 June 2005</b>	<b>500,000</b>	

No employee options were exercised during the period.

**26. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

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

The adoption of Australian equivalents to IFRS will first be reflected in the Company's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with the 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 opened retained earnings as at 1 July 2004.

The Company is currently assessing the significance of these changes and preparing for their implementation.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Set out below are key areas that have been identified to date where accounting policies under IFRS impacts on the Company's financial reporting:

(a) Financial instruments

Under AASB 139 "Financial Instruments: Recognition and Measurement" financial instruments will be required to be classified into five categories and to be measured based on the nature of the classification. The five categories and basis of measurement are:

- Financial asset or financial liability measured at fair value through the Statement of Financial Performance
- Held to maturity investments measured at amortised cost, subject to impairment
- Loans and receivables measured at amortised cost, subject to impairment
- Available for sale assets measured at fair value with changes in fair value measured directly in equity
- Financial liability measured at amortised cost

This will result in a change to the current accounting policy that does not classify financial instruments.

(b) Exploration and evaluation costs

AASB 6 "Exploration for and Evaluation of Mineral Resources" continues to allow companies to apply "area of interest" account to their exploration and evaluation expenditures, effectively grandfathering the treatment of capitalising exploration and evaluation costs currently used by the Company under AASB 1022 "Accounting for the Extractive Industries". Under AASB 6, if facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Company must perform impairment tests on those assets and measure any impairment in accordance with AASB 136 "Impairment of Assets". Impairment of exploration and evaluation assets is to be assessed at a cash generating unit or group of cash generating units level provided this is no larger than an area of interest. Any impairment loss is to be recognised in accordance with AASB 136. It is anticipated that it is unlikely that the requirements of this standard will have a material impact on the financial position of the Company, except where areas of interest are abandoned and written off.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

(c) Income Tax

Under AASB 112 "Income Taxes", deferred tax balances are determined using the "balance sheet method" which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the Statement of Financial Position and their associated tax bases.

This will result in a change to the current accounting policy under which deferred tax balances are determined using the income statement method.

On adoption by the Company, the change is not expected to result in the recognition of any material additional deferred tax assets and liabilities, or any corresponding impact on retained earnings.

(d) Impairment

Under AASB 136 "Impairment of Assets", recoverable amount is defined as the higher of an asset's (or a cash generating unit's) fair value less cost to sell and its value in use. Value in use is the present value of estimated future cash flows expected to arise from an asset or cash generating unit. The discount rate used must be an asset specific risk adjusted rate. Recoverable amount is to be determined whenever there is any indication that an asset may be impaired.

This will result in a change to the current accounting policy, under which the estimated future cash flows used to determine recoverable amounts of non-current assets on an annual basis are not discounted to their present values.

The impact of this change is expected to be nil.

(e) Share based payments

Under AASB 2 "Share Based Payments", the Company will be required to determine the fair value of options issued to employees as remuneration and recognise them in the Statement of Financial Performance.

This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share based payments issued after 7 November 2002, which have not vested as at 1 January 2005.

To the extent that any of the remuneration options on issue have not vested by 1 January 2005, they will need to be recognised and measured in accordance with AASB 2.

This will result in a change to the current accounting policy, under which no expense is recognised for equity based compensation.

**Resource Finance and Investments Limited**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

The most significant impact will be the recognition of an expense of \$78,400 to adjust the profit for the period ended 30 June 2005, with a corresponding adjustment to reduce contributed equity by the same amount.

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**DIRECTORS' DECLARATION**

The directors declare that the financial statements and notes set out on pages 9 to 35:

- (a) Comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) Give a true and fair view of the Company's financial position as at 30 June 2005 and of its performance, as represented by the results of its operations and cash flows, for the financial period ended on that date.

In the directors' opinion:

- (a) The financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of directors.



**M Rosenstreich**  
**Managing Director**

Perth, Western Australia  
1 August 2005

**RESOURCE FINANCE AND INVESTMENTS LIMITED  
ABN 31 109 933 995**

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE  
CORPORATIONS ACT 2001**

I declare that, to the best of my knowledge and belief, during the period ended 30 June 2005 there have been:

- (i) No contraventions of the auditor's independence requirements as set out in 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.

**BENTLEYS MRI PERTH PARTNERSHIP**



**J W VIBERT  
Partner**

**1<sup>st</sup> August 2005**

**INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF RESOURCE FINANCE AND INVESTMENTS LIMITED****The financial report and directors' responsibility**

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Resource Finance and Investments Limited (the company) for the period ended 30 June 2005 as set out on pages 9 to 36.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

**Audit Approach**

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

## **Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration set out on page 37 of the financial report has not changed as at the date of providing our audit opinion.

## **Audit Opinion**

In our opinion, the financial report of Resource Finance and Investments Limited is in accordance with:

- a. the Corporations Act 2001, including:
  - i. giving a true and fair view of the company's financial position as at 30 June 2005 and of its performance for the period ended on that date; and
  - ii. complying with Accounting Standards and the Corporations Regulations 2001; and
- b. other mandatory professional reporting requirements

## **BENTLEYS MRI PERTH PARTNERSHIP**



**JW VIBERT**  
Partner

**Dated at West Perth, WA on 1<sup>st</sup> August, 2005**