Resource & Investment NL

2009 ANNUAL REPORT

RESOURCE AND INVESTMENT NL ABN 77 085 806 284
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Resource & Investment NL

CONTENTS

DIRECTORS

Miles Kennedy	Non-Executive Chairman
Peter Pynes	Non-Executive Director
John Hutton	Non-Executive Director

COMPANY SECRETARY

Jean Mathie

AUSTRALIAN BUSINESS NUMBER

77 085 806 284

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AUDITORS

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Western Australia 6005

SOLICITORS

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Western Australia 6153

AUSTRALIAN STOCK EXCHANGE

2 The Esplanade, Perth
Western Australia 6000

ASX Code Ordinary Shares: RNI

The directors present their report together with the financial report of Resource & Investment NL ("the Company") and of the Group, being the Company and its subsidiaries, for the year ended 30 June 2008 and the independent 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 *Non-Executive Chairman*	Director since 7 September 2006
Mr Peter AG Pynes *Non-executive Director*	Director since 28 April 2009
Mr John R Hutton *Non-executive Director*	Director since 12 January 1999
Mr John LG Firth *Executive Director*	Appointed 12 January 1999; Resigned 28 April 2009
Mr Richard J Linnell *Non-executive Director*	Appointed 15 July 2003; Resigned 30 September 2008

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

Mr Miles A Kennedy	Non-Executive Chairman
Qualifications	B.Juris
Age	59 years
Experience and other directorships	Mr Kennedy has held directorships of Australian listed resource companies for the past 26 years. He is the non-executive Chairman of Marine Produce Australia Limited since June 2008, is the non-executive Chairman of Sandfire Resources NL since August 2007, is an executive director of Lonhro Mining Limited since September 2008 and is a non-executive director of Pangea Diamondfields, which has diamond interests in four African countries. Mr Kennedy was also the executive chairman of Kimberley Diamond Company NL from September 1993 to November 2007, the non-executive chairman of Blina Diamonds NL from November 2002 to December 2007 and a non-executive director of Indago Resources Limited from August 2009 to September 2009. 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.
Mr Peter AG Pynes	Non-Executive Director
Qualifications	Fellow AICD, SA Fin
Age	45 years
Experience and other directorships	Mr Pynes has in excess of 25 years experience in Australian and overseas capital markets. He previously worked at Deutsche Bank as a director of global markets, where he gained extensive knowledge of global structured debt products as well as capital raising and syndication. Mr Pynes holds directorships in other ASX listed companies including, Blue Capital Limited, formerly Goldlink Incomeplus Limited, since March 2009, Indago Resources Limited since August 2009, Nexus Bonds Limited since September 2009 and was a director of Centralian Minerals Limited from September 2006 to June 2007. He is also a director of MPC Funding Limited, a specialist financing company providing in excess of $450m in loan funds for the development of the Melbourne Convention Centre. Mr Pynes is a Fellow of the Australian Institute of Company Directors and a Senior Associate of the Financial Services Institute of Australia. He lives in Perth, Western Australia.
Mr John R Hutton	Non-Executive Director
Age	43 years
Experience and other directorships	Mr Hutton is a non-executive director of Sandfire Resource NL since July 2007 and is a non-executive director of Marine Produce Australia Limited since August 2006, where he also held the position of Managing Director from October 2003 to February 2006. With a background in accounting, Mr Hutton has experience in merchant banking, financial planning and tax matters. He is a director of a number of successful private companies involved in the resources, pearling and tourism industries and is a member of the Australian Institute of Company Directors. He lives in Perth, Western Australia.

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 other listed entities, Sandfire Resources NL, Lonrho Mining Limited and Marine Produce Australia 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
Mr Miles A Kennedy	1	1
Mr Peter AG Pynes *(appointed 28 April 2009)*	-	-
Mr John R Hutton	1	1
Mr John LG Firth *(resigned 28 April 2009)*	1	1
Mr Richard J Linnell *(resigned 30 September 2008)*	-	1

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

The Board has had extensive discussions between members throughout the year, with board decisions being completed via director circular resolutions and discussion due to differing geographical locations

4. Principal activities and review of operations

The principal activities of the Group during the financial year consisted of:

- Exploration for diamonds and other resources in Australia; and
- Evaluation of other exploration and business development opportunities including Angola.

Project review, strategies and future prospects

Camutue Project – Angola

By Agreement dated 4 May 2006, and amendments thereto, between the Angolan based company, Tecmad – Mining Services SARL (Tecmad), the Company agreed to do all things necessary to build, commission and operate diamond mining activities at the Camutue Associated Deposits, in north-eastern Angola's Luanda Norte Province in return for a monthly management fee of not less than US$100,000 per month from the commencement of production. The commissioning of the operation was successfully completed and diamond production commenced in June 2007.

On 20 October 2008 Tecmad gave the Company one month's Notice of Termination of the Agreement dated 4 May 2006, together with the First and Second Deeds of Amendment, pursuant to its right to terminate under the provisions of Clause 21.2 of the Agreement. Whilst the Agreement does not require Tecmad to give any reasons for its decision, its Notice of Termination advised "We would like to make it clear that the reasons for termination have nothing to do with the quality of services which RNI has provided us hitherto, which have been of a good standard. Rather it is internal restructuring regarding the Camutue Concession which is prompting this action".

Accordingly, the Company ceased to manage and operate the Camutue associated diamond deposits in Angola on 20 November 2008 following termination of its monthly management contract.

Disposal of discontinued operation

Following the termination of the Tecmad management agreement in Angola, the Company's active involvement in Africa effectively ended. On 28 November 2008, the Company's shareholders in general meeting approved the sale of the South African subsidiary company, R&I Holdings (SA) Pty Ltd and all other assets, to Vivid Diamonds Company Pty Ltd for $250,000 payable in instalments through to April 2009. As at 30 June 2009, $200,000 of the sale price had been received. Refer to note 4 of the financial report for further details.

Yule River Project – Pilbara Region, Western Australia

The Company holds the exclusive right to carry out exploration and mining operations on alluvial deposits in Exploration Licences E47/1193, E47/1331 and E47/1340, which are held by Brumby Resources NL (Brumby) being mineral sand targets at Yule River in the Pilbara Region of Western Australia.

A drill programme is scheduled for the second half of 2009.

The Company also maintains a right under an agreement with Brumby to receive a 1% Net Smelter Royalty on all future mineral production from a number of Yule River Project Tenements, which are held by the Company and may be developed by Brumby.

Review of financial condition

The financial report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

4. Principal activities and review of operations (continued)

For the year ended 30 June 2009 the Company recorded a profit of $4,677,938, which included a gain of $4,723,549 on the sale of the Company's South African subsidiary, R&I (SAF) Pty Ltd (R&I), to Vivid Diamonds Company Pty Ltd. Of the $4,723,549 gain recognised on the sale of R&I, $237,805 represents net proceeds on the sale, being $250,000 sale proceeds less costs to sell of $12,195, with the remainder being non-cash profits relating to reserves and transferred liabilities.

At 30 June 2009, the Company had a net working capital deficit of $162,950 and a net deficit of $55,992.

Cash flow projections and assumptions

Based on cash flow projections the Company expects to be able to maintain sufficient cash reserves to meet day-to-day obligations as and when they fall due for the next 12 month period, predominantly funded by:

- The remaining sale proceeds of the South African subsidiary company, R&I, to Vivid Diamonds Company Pty Ltd. As at 30 June 2009, $200,000 of the $250,000 sale price had been received; and
- The issue of 5,100,000 ordinary shares at $0.015 each to raise $76,500, completed 7 July 2009.

The Company's twelve month cash flow projections do not include the payment of $214,500 payable to Resource Development Company Pty Ltd (RDC), a company formerly associated with Mr M Kennedy, being the total balance due for the provision of consulting and management services. Subsequent to 30 June 2009 RDC assigned all its rights and interest in respect of an amount of $107,250, being half of the debt, to MAK Super (WA) Pty Ltd, a company associated with Mr M Kennedy, and $107,250, being half of the debt, to Tongaat Pty Ltd (Tongaat).

The Company intends to repay the balance of the debts to the newly assigned parties, MAK and Tongaat, via the issue of ordinary shares subject to receipt of any required shareholder approval, the approval to be sought at the Company's next annual general meeting. If the required approval is not obtained by the Company by 16 November 2009, or such later dated as agreed to in writing, the newly assigned balances will continue to be repayable by the Company to MAK and Tongaat on demand.

The Company has also suspended payment of non-executive director fees.

Going concern basis of preparation

The Company also has available to it one or more of the following sources of funding:

- Further issue of shares via private placement and/or via a rights issue to existing shareholders; and
- Sale of listed investments, which as at 30 June 2009 had a fair value of $90,614.

The Board of Directors is aware of the Company's working capital requirements to continue its normal business activities and based on the above matters consider the going concern basis of preparation to be appropriate for this financial report.

In the event that the above matters do not eventuate there exists significant uncertainty as to whether the Group will be able to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

5. Significant changes in the state of affairs

Disposal of discontinued operation

On 28 November 2008, the Company's shareholders in general meeting approved the sale of the South African subsidiary company, R&I Holdings (SA) Pty Ltd and all other assets, to Vivid Diamonds Company Pty Ltd for $250,000 payable in instalments through to April 2009. As at 30 June 2009, $200,000 of the sale price had been received.

Board Structure

The following changes occurred during the financial year:

- Mr Richard Linnell resigned as a non-executive director of the Company on 30 September 2008;
- Mr John Firth resigned as director and chief executive officer on 28 April 2009; and
- Mr Peter Pynes was appointed to the position of non-executive director on 28 April 2009.

Corporate

At the general meeting held on 22 January 2009 the Company's shareholders approved the removal of KPMG as the Company's auditor and the appointment of Somes & Cooke to that position.

6. Environmental regulations

The Group'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 Group is committed to achieving a high standard of environmental performance and has an Environmental Management Program in place for its prospecting permits and conducts its activities in a professional and environmentally conscious manner and in accordance with each country's applicable laws and permit requirements.

6. Environmental regulations (continued)

The Board believes that the Group 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 and the Group.

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 or Group 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

Share Issue

On 7 July 2009, the Company announced the issue of 5,100,000 ordinary shares at $0.015 each to raise $76,500.

Other matters

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.

Subsequent to 30 June 2009 RDC assigned all its rights and interest in respect of an amount of $107,250, being half of the debt, to MAK Super (WA) Pty Ltd (MAK), a company associated with Mr M Kennedy, and $107,250, being half of the debt, to Tongaat Pty Ltd (Tongaat). The Company intends to repay the balance of the debts to the newly assigned parties, MAK and Tongaat, via the issue of ordinary shares subject to receipt of any required shareholder approval, the approval to be sought at the Company's next annual general meeting. If the required approval is not obtained by the Company by 16 November 2009, or such later dated as agreed to in writing, the newly assigned balances will continue to be repayable by the Company to MAK and Tongaat on demand.

9. Likely developments

Comments on expected results of certain operations of the Group 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 companies within the Group and other related bodies corporate, 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:

	Ordinary shares	Options over ordinary shares	
	Fully Paid	Expiring 7 Sep 2009	Expiring 7 Sep 2011
Mr Miles A Kennedy	2,494,209	1,500,000	1,500,000
Mr Peter AG Pynes	50,000	-	-
Mr John R Hutton	236,230	-	-

11. Share options

Options granted to directors and executives of the Group

The Company did not grant any options over unissued ordinary shares in Resource & Investment NL to directors or officers during, or since the end of the financial year.

Unissued shares under options

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

Expiry date	Exercise Price	Number of shares
7 September 2009	$0.90	1,500,000
7 September 2011	$1.30	550,000
24 November 2010	$1.50	1,500,000
		3,550,000

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

11. Share options (continued)

No ordinary shares were issued by the Company as a result of the exercise of options during or since the end of the financial year and no options over ordinary shares previously granted were exercised or forfeited during or since the end of the financial year.

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 and the Group, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and executives for the Company and the Group including the five most highly remunerated Company and Group executives.

Compensation levels for key management personnel and secretaries of the Company, and key management personnel of the Group 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 both the Company and the Group 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 and Group, or has the authority and responsibility for planning, directing and controlling the activities of the Company or the Group. 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 Group. 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 Group'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 Group's strategies and goals and to reward key management personnel for meeting or exceeding their personal objectives. Performance linked STI payments are an 'at risk' bonus provided in the form of cash. If an incentive payment is payable, the Board recommends the cash incentive to be paid to the individuals for approval by the Board.

No bonuses were paid during the current financial year.

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 Group. Options may only be issued to directors subject to approval by shareholders in general meeting.

The Company did not grant any options over unissued ordinary shares in Resource & Investment NL to key management personnel during, or since the end of the financial year.

Details of existing equity based compensation plans issued in prior financial years are included in section 12.3 of the Directors' Report.

12. Remuneration report – audited (continued)

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.

Service contracts

It is the Group's policy that service contracts for key management personnel are unlimited in term but capable of termination and that the Group 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 $62,500 per annum each, 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. Directors' fees cover all main Board activities. The Board has no established retirement or redundancy schemes in relation to non-executive directors.

Payments of non-executive director fees were suspended from December 2007, with the exception of Mr Kennedy in his capacity as non-executive Chairman. Mr Kennedy's payments were suspended from December 2008

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 and Group are:

		Short-term					Share based payments			
		Salary & fees $	STI cash bonus $	Manage-ment contract $	Total $	Super benefits $	Options[(A)] $	Total $	Proportion of remuneration performance related $	Value of options as proportion of remuneration $
Directors										
Non-executive directors										
Mr M Kennedy, Chairman [(B)]	2009	-	-	45,000	45,000	-	-	45,000	-	-
	2008	-	-	90,000	90,000	-	-	90,000	-	-
Mr J Hutton	2009	-	-	-	-	-	-	-	-	-
	2008	10,000	-	-	10,000	900	-	10,900	-	-
Mr P Pynes *(appointed 28/4/2009)*	2009	-	-	-	-	-	-	-	-	-
Former directors										
Mr J Firth, CEO *(resigned 28 Apr 2009)*	2009	100,000	-	-	100,000	-	1,952	101,952	-	1.91
	2008	240,000	60,000	-	300,000	-	6,869	306,869	19.55	2.24
Mr R Linnell *(resigned 30 Sep 2008)*	2009	-	-	-	-	-	488	488	-	100.00
	2008	14,904	-	-	14,904	-	1,717	16,621	-	10.33

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.

(B) Amounts totalling $45,000 were charged to the accounts of the Company by Resource Development Company Pty Ltd (RDC), a company formerly associated with Mr Kennedy, representing management and consulting fees. $31,250 of the balance charged related to Mr Kennedy's position as non-executive Chairman. As at 30 June 2009, the $45,000 remained outstanding and is included as part of trade creditors. Refer to note 18 and 27 of the financial report for further details.

12. Remuneration report – audited (continued)

(C) Payments of non-executive director fees were suspended from December 2007.

(D) No termination benefits were paid to Mr Linnell and Mr Firth on resignation.

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 as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

12.3.1 Options and rights over equity instruments granted as compensation (continued)

	No of options granted during 2009	Grant date	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date	Number of options vested during 2009
Directors						
Mr J Firth *(resigned 28 April 2009)*	-	25 Nov 2005	$0.15	$1.30	24 Nov 2010	66,667
Mr R Linnell *(resigned 30 September 2008)*	-	25 Nov 2005	$0.15	$1.30	24 Nov 2010	16,667

No options have been granted during or since the end of the financial year.

12.3.2 Modifications of terms of equity-settled share-based payment transactions

The consolidation of the Company's share capital on a 10-to-1 basis during the financial year ended 30 June 2007 resulted in every ten options issued under the various option plans to be consolidated as outlined below.

	Options expiring 7 Sep 2009		Options expiring 24 Nov 2010		Options expiring 7 Sep 2011	
	Pre	Post	Pre	Post	Pre	Post
Directors						
Mr M Kennedy	15,000,000	1,500,000	-	-	15,000,000	1,500,000
Mr J Firth *(resigned 28 April 2009)*	-	-	2,000,000	200,000	-	-
Mr R Linnell *(resigned 30 September 2008)*	-	-	500,000	50,000	-	-

The exercise price of the options was also adjusted to reflect the Company's share capital consolidation.

	Options expiring 7 Sep 2009		Options expiring 24 Nov 2010		Options expiring 7 Sep 2011	
	Pre	Post	Pre	Post	Pre	Post
Exercise price	$0.09	$0.90	$0.13	$1.30	$0.15	$1.50

The above modifications did not increase the fair value of the options granted and no adjustments have been made in respect of fair value.

12.3.3 Analysis of movement in options

No options over unissued ordinary shares in the Company, previously issued as compensation to key management persons, were exercised or forfeited during the financial year.

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 & 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

At the general meeting held on 22 January 2009 the Company's shareholders approved the removal of KPMG as the Company's auditor and the appointment of Somes & Cooke to that position

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.

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.

	Consolidated	
In AUD	2009	2008
Audit services:		
Audit and review of financial reports (Somes & Cooke Australia)	22,750	-
Audit and review of financial reports (KPMG Australia)	5,165	40,000
Audit and review of financial reports (Overseas KPMG firms)	-	36,982
	27,915	76,982

15. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 11 and forms part of the directors' report for the financial year ended 30 June 2009.

This report is made with a resolution of the directors.

Miles A Kennedy
Non-Executive Chairman

Dated at West Perth this 30th day of September 2009.

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SomesandCooke

Resource and Investment NL and its controlled subsidiaries

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Resource and Investment NL and its controlled subsidiaries.

As lead audit partner, for the audit of the financial statements, of Resource and Investment NL for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Somes and Cooke

Somes and Cooke

K. C. Somes

K. C. Somes

1304 Hay Street
West Perth WA 6005

30 September 2009

In AUD	Note	Consolidated 2009	Consolidated 2008 Restated*	Company 2009	Company 2008
Continuing operations					
Other income	6	72,585	-	72,585	61,446
Gain on sale of controlled entity	4	-	-	237,805	-
Recovery of controlled entity loan		-	-	175,000	78,554
Administrative expenses		(296,852)	(581,260)	(296,852)	(581,260)
Project expenses		-	-	-	-
Impairment loss	7	(11,429)	(1,290,430)	(11,429)	(1,290,430)
Share based payments		(5,367)	(18,889)	(5,367)	(18,889)
Other expenses	7	-	(1,255)	-	(1,255)
Loss from operating activities		**(241,063)**	**(1,891,834)**	**171,742**	**(1,751,834)**
Finance income		1,521	13,916	1,521	13,916
Finance expenses		(50,635)	(397,266)	(50,635)	(397,266)
Net finance costs	9	(49,114)	(383,350)	(49,114)	(383,350)
Loss before income tax		**(290,177)**	**(2,275,184)**	**122,628**	**(2,135,184)**
Income tax (expense)/benefit	10	-	-	-	-
Loss from continuing operations		**(290,177)**	**(2,275,184)**	**122,628**	**(2,135,184)**
Discontinued operation					
Profit (loss) from discontinued operation (net of income tax)	4	4,968,115	(891,866)	-	-
Profit / (loss) for the period		**4,677,938**	**(3,167,050)**	**122,628**	**(2,135,184)**
Attributable to:					
Equity holders of the parent		4,677,938	(3,167,050)	122,628	(2,135,184)
Minority interests		-	-	-	-
Profit / (loss) for the period		**4,677,938**	**(3,167,050)**	**122,628**	**(2,135,184)**
Earnings (loss) per share					
Basic and Diluted earnings (loss) per share attributable to ordinary equity holders	11	$0.138	($0.093)		
Continuing operations					
Basic and Diluted (loss) per share attributable to ordinary equity holders	11	($0.008)	($0.067)		

* See discontinued operation – note 4.

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

In AUD	Note	Company 2009	Consolidated 2008	Company 2008
Assets				
Cash and cash equivalents	23	93,432	239,778	103,972
Trade and other receivables	13	52,786	246,572	15,529
Total current assets		146,218	486,350	119,501
Investments	14	90,614	137,450	137,450
Property, plant and equipment	15	15,022	28,234	7,423
Exploration and evaluation assets	16	1,322	-	-
Total non-current assets		106,958	165,684	144,873
Total assets		**253,176**	**652,034**	**264,374**
Liabilities				
Trade and other payables	18	309,168	506,868	288,213
Interest bearing liabilities	19	-	160,148	160,148
Provisions	20	-	81,600	-
Total current liabilities		309,168	748,616	488,361
Other liabilities	21	-	2,555,532	-
Total non-current liabilities		-	2,555,532	-
Total liabilities		**309,168**	**3,304,148**	**448,361**
Net (Deficit)		**(55,992)**	**(2,652,114)**	**(183,987)**
Equity				
Issued capital	22	25,077,334	25,077,334	25,077,334
Reserves	22	171,700	2,253,516	166,333
Accumulated losses		(25,305,026)	(29,982,964)	(25,427,654)
Total Equity / (deficit) attributable to Equity holders of the Parent		**(55,992)**	**(2,652,114)**	**(183,987)**
Minority interest		**-**	**-**	**-**
Total Equity / (Deficit)		**(55,992)**	**(2,652,114)**	**(183,987)**

The balance sheets are to be read in conjunction with the accompanying notes.

STATEMENTS IN CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

		Attributable to Equity holders of the Parent						Minority interest	Total equity/ (deficit)
In AUD	Note	Issued capital	Accumulated losses	Share based payments reserve	Foreign currency translation reserve	Fair value reserve	Total equity/ (deficit)		
Consolidated									
Opening balance at 1 July 2007		**25,077,334**	**(26,833,162)**	**164,692**	**1,529,324**	**(133,276)**	**(195,088)**	**-**	**(195,088)**
Change in fair value of available-for-sale financial assets transferred to income statement		-	-	-	-	133,276	133,276	-	133,276
Currency translation differences		-	-	-	557,859	-	557,859	-	557,859
Loss for the year		-	(3,167,050)	-	-	-	(3,167,050)	-	(3,167,050)
Total income and expense recognised directly in equity		-	(3,167,050)	-	557,859	133,276	(2,475,915)	-	(2,475,915)
Cost of share based payments		-	-	18,889	-	-	18,889	-	18,889
Expiry of options		-	17,248	(17,248)	-	-	-	-	-
Balance as at 30 June 2008		**25,077,334**	**(29,982,964)**	**166,333**	**2,087,183**	**-**	**(2,652,114)**	**-**	**(2,652,114)**
Currency translation differences		-	-	-	(389,515)	-	(389,515)	-	(389,515)
Foreign currency translation reserve transferred to Income Statement on disposal of discontinued operation	4	-	-	-	(1,697,668)	-	(1,697,668)	-	(1,697,668)
Profit for the period		-	4,677,938	-	-	-	4,677,938	-	4,677,938
Total income and expense recognised directly in equity		-	4,677,938	-	(2,087,183)	-	2,590,755	-	2,590,755
Cost of share based payments		-	-	5,367	-	-	5,367	-	5,367
Closing balance at 30 June 2009		**25,077,334**	**(25,305,026)**	**171,700**	**-**	**-**	**(55,992)**	**-**	**(55,992)**
The Company									
Opening balance at 1 July 2007		**25,077,334**	**(23,309,718)**	**164,692**	**-**	**(133,276)**	**1,799,032**		
Change in fair value of available-for-sale financial assets transferred to income statement		-	-	-	-	133,276	133,276		
Loss for the year		-	(2,135,184)	-	-	-	(2,135,184)		
Total income and expense recognised directly in equity		-	(2,135,184)	-	-	133,276	(2,001,908)		
Cost of share based payments		-	-	18,889	-	-	18,889		
Expiry of options		-	17,248	(17,248)	-	-	-		
Balance as at 30 June 2008		**25,077,334**	**(25,427,654)**	**166,333**	**-**	**-**	**(183,987)**		
Profit for the period		-	122,628	-	-	-	122,628		
Total income and expense recognised directly in equity		-	122,628	-	-	-	122,628		
Cost of share based payments		-	-	5,367	-	-	5,367		
Closing balance at 30 June 2009		**25,077,334**	**(25,305,026)**	**171,700**	**-**	**-**	**(55,992)**		

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

		Consolidated		Company	
In AUD	Note	2009	2008	2009	2008
Cash flows from operating activities					
Cash receipts		637,535	1,319,243	-	-
Cash paid to suppliers and employees		(737,720)	(1,605,932)	(201,909)	(391,561)
Cash generated from (utilised in) operations		(100,185)	(286,689)	(201,909)	(391,561)
Interest received		6,239	33,697	1,521	13,916
Net cash inflow (outflow) from operating activities	24	**(93,946)**	**(252,992)**	**(200,388)**	**(377,645)**
Cash flows from investing activities					
Payments for exploration and evaluation		(12,751)	(140,861)	(12,751)	(59,736)
Payments for property, plant and equipment		(10,206)	(39,691)	(10,206)	(36,255)
Proceeds from sale of property, plant and equipment		-	35,000	-	35,000
Proceeds from sale of listed investments		-	58,671	-	58,671
Disposal of discontinued operation, net of cash disposed and related costs	4	120,557	-	187,805	-
Net cash inflow (outflow) from investing activities		**97,600**	**(86,881)**	**164,848**	**(2,320)**
Cash flows from financing activities					
Repayment of borrowings – Blina Diamonds NL		(130,903)	(309,500)	(130,903)	(309,500)
Loan to controlled entity		-	-	-	(50,000)
Loan repayment from controlled entity		-	-	175,000	190,000
Interest paid on borrowings		(19,097)	-	(19,097)	-
Net cash inflow (outflow) from financing activities		**(150,000)**	**(309,500)**	**25,000**	**(169,500)**
Net increase (decrease) in cash and cash equivalents		**(146,346)**	**(649,373)**	**(10,540)**	**(549,465)**
Cash and cash equivalents at the beginning of the period		239,778	889,151	103,972	653,437
Cash and cash equivalents at the end of the period	24	**93,432**	**239,778**	**93,432**	**103,972**

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

1 Reporting entity

Resource & Investment NL (the Company) is a company domiciled in Australia. The address of the Company's registered office is 12 Walker Avenue, West Perth WA 6005. The consolidated financial statements of the Company as at and for the year ended 30 June 2009 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Group is primarily involved in the exploration for diamonds and other resources in Australia.

Following the sale of the Company's fully owned controlled entity, R&I Holdings (SA) Pty Ltd, during the year, the financial report presented for the year ended 30 June 2009 represents the financial results of the Group to the end of 30 November 2008 and the Company thereafter, being 1 December 2008 to 30 June 2009. Accordingly, the Balance Sheet as presented on page 11 within this financial report represents the Company only, with all other statements representing the Group's financial performance to the end of 30 November 2008 and the Company for the seven months ended 30 June 2009. Comparative results and performance disclosures relate to the Group. Refer to note 4 of the financial report for further details.

2 Basis of preparation

a) Financial position

The financial report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

For the year ended 30 June 2009 the Company recorded a profit of $4,677,938, which included a gain of $4,723,549 on the sale of the Company's South African subsidiary, R&I (SAF) Pty Ltd (R&I), to Vivid Diamonds Company Pty Ltd. Of the $4,723,549 gain recognised on the sale of R&I, $237,805 represents net proceeds on the sale, being $250,000 sale proceeds less costs to sell of $12,195, with the remainder being non-cash profits relating to reserves and transferred liabilities.

At 30 June 2009, the Company had a net working capital deficit of $162,950 and a net deficit of $55,992.

Cash flow projections and assumptions

Based on cash flow projections the Company expects to be able to maintain sufficient cash reserves to meet day-to-day obligations as and when they fall due for the next 12 month period, predominantly funded by:

- The remaining sale proceeds of the South African subsidiary company, R&I, to Vivid Diamonds Company Pty Ltd. As at 30 June 2009, $200,000 of the $250,000 sale price had been received; and
- The issue of 5,100,000 ordinary shares at $0.015 each to raise $76,500, completed 7 July 2009.

The Company's twelve month cash flow projections do not include the payment of $214,500 payable to Resource Development Company Pty Ltd (RDC), a company formerly associated with Mr M Kennedy, being the total balance due for the provision of consulting and management services. Subsequent to 30 June 2009 RDC assigned all its rights and interest in respect of an amount of $107,250, being half of the debt, to MAK Super (WA) Pty Ltd, a company associated with Mr M Kennedy, and $107,250, being half of the debt, to Tongaat Pty Ltd (Tongaat).

The Company intends to repay the balance of the debts to the newly assigned parties, MAK and Tongaat, via the issue of ordinary shares subject to receipt of any required shareholder approval, the approval to be sought at the Company's next annual general meeting. If the required approval is not obtained by the Company by 16 November 2009, or such later dated as agreed to in writing, the newly assigned balances will continue to be repayable by the Company to MAK and Tongaat on demand.

The Company has also suspended payment of non-executive directors' fees.

Going concern basis of preparation

The Company also has available to it one or more of the following sources of funding:

- Further issue of shares via private placement and/or via a rights issue to existing shareholders; and
- Sale of listed investments, which as at 30 June 2009 had a fair value of $90,614.

The Board of Directors is aware of the Company's working capital requirements to continue its normal business activities and based on the above matters consider the going concern basis of preparation to be appropriate for this financial report.

In the event that the above matters do not eventuate there exists significant uncertainty as to whether the Group will be able to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

b) 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 consolidated financial report of the Group and the financial report of

2 Basis of preparation (continued)

the Company comply with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 30 September 2009.

c) Basis of measurement

The consolidated 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 3(c); and
- Share-based payments note 3(h).

d) Functional and presentation currency

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

e) 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 3(s).

3 Significant accounting policies

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

Certain comparative amounts have been reclassified to conform with the current year's presentation. In addition, the comparative income statement has been re-presented as if an operation discontinued during the current period had been discontinued from the start of the comparative period (see note 4).

a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. 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 Group.

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 income statement and balance sheet 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.

b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities 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 for part of a net investment in a foreign operation and are recognised directly in equity in the FCTR.

c) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

3 Significant accounting policies (continued)

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

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 Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3(l).

Available-for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(g)), and foreign currency differences on available-for-sale monetary items (see note 3(b)), are recognised directly in a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement. The fair value of listed equity securities classified as available-for-sale is their quoted bid price at the balance sheet date.

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

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.

d) 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 Income Statement.

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 Group 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	10%-25%
Plant and equipment	10%-40%
Motor vehicles	25%

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

e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on a weighted average basis, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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.

3 Significant accounting policies (continued)

(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 diamonds during the exploration phase is offset against the capitalised exploration costs.

g) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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 original effective interest rate. An impairment loss in respect to an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in the income statement. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories (see accounting policy 3(e)), 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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement, unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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.

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 superannuation funds are recognised as a personnel expense in the income statement as incurred. 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 Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs: that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated government bonds that have maturity dates approximating the terms of the Group's obligations.

3 Significant accounting policies (continued)

Share-based payment transactions – equity settled

Share-based compensation benefits are provided to employees via the Group's various share option plans. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions not being met.

i) Provisions

A provision is recognised if, as a result of a past event, the Group 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, when appropriate, the risks specific to the liability.

Site restoration

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of disturbed land is recognised when the land is disturbed.

The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period.

The amount of the provision for future restoration costs is capitalised and depreciated in accordance with the policy set out in note 3(d). The unwinding of the effect of discounting on the provision is recognised as a finance cost.

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 in the income statement 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.

Provision of services

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

Sale of non-current assets

The net gain (loss) on the sale of non-current assets is included as revenue or expense at the date control of the assets passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

k) Lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

l) Finance income and expense

Finance income and expenses comprises interest income on funds invested, interest expense on borrowings calculated using the effective interest method, unwinding of discounts on provisions, foreign currency gains and losses, the net gain (loss) on sale of available-for-sale financial assets and impairment losses on available-for-sale financial assets.

Interest income is recognised in the income statement as it accrues, using the effective interest method. All borrowing costs are recognised in the income statement using the effective interest method.

m) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income 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.

3 Significant accounting policies (continued)

A deferred tax asset is recognised 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.

n) Goods and services tax and Value added tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST) in Australia, and value-added tax (VAT) in South Africa, except where the amount of GST or VAT incurred is not recoverable from the taxation authority. In these circumstances, the GST or VAT 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 or VAT included. The net amount of GST or VAT recoverable from, or payable to, the relevant taxation authority 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 or VAT components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the relevant taxation authority are classified as operating cash flows.

o) Discontinued operations

A discontinued operation is a component of the Group'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.

p) Earnings (Loss) per share

Basic earnings (loss) per share is calculated by dividing the net profit (loss) attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares of the Company during the period. Diluted earnings (loss) per share is determined by adjusting the net profit (loss) attributable to the ordinary shareholders and the number of shares outstanding for the effects of all dilutive potential shares, which comprise share options.

q) Segment reporting

A segment is a distinguishable component of the Group that is engaged whether in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment information is presented in respect of the Group's geographical segments. The Group's primary format for segment reporting is based on geographical segments. The geographical segments are determined on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

r) 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 2009, but have not been applied in preparing this financial report.

- Revised AASB 3 *Business Combinations* (2008) incorporates the following changes that are likely to be relevant to the Group's operations:
  - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations
  - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred
  - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss
  - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Revised AASB 3, which becomes mandatory for the Group's 30 June 2010 financial statements, will be applied prospectively and therefore there will have no impact on prior periods in the Group's 2010 consolidated financial statement.

- Amended AASB 127 *Consolidated and Separate Financial Statements* (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to AASB 127, which become mandatory for the Group's 30 June 2010 financial statements are not expected to have a significant impact on the consolidated financial statements.

- AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require a change in the presentation on and disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Financial Decision Maker in order assess each segment's performance and to allocate resources to them. The Group currently operates in one business segment and in one geographical segment and does not expect AASB 8 to have a significant impact on the consolidated financial statements.

- Revised AASB 101 Presentation of Financial Statements (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Group's 30 June 2010 financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements.

- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements and will have a limited impact on the consolidated financial statements.
- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to AASB 2 will be mandatory for the Group's 30 June 2010 financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process* and 2008-6 *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 Group's 30 June 2010 financial statements, are not expected to have any impact on the financial statements.
- AASB 2008-7 *Amendments to Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* changes the recognition and measurement of dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential impact of the amendments.
- AASB 2008-8 *Amendments to Australian Accounting Standard – Eligible Hedged Items* clarifies the effect of using options as hedging instruments and the circumstances which inflation risk can be hedged. The amendments become mandatory for the Group's 30 June 2010 financial statements, with retrospective application. The revised standard will have no impact on the Group's consolidated financial statements.
- A1 16 *Hedges of a Net Investment in a Foreign Operation* clarifies that net investment hedging can only be applied when the net assets of the foreign operation are recognised in the entity's consolidated financial statements. A1 16 will become mandatory for the Group's 30 June 2010 financial statements. The Group is yet to determine the potential effect of the interpretation.

s) Accounting estimates and judgements

Management discusses with the Board the development, selection and disclosure of the Group'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.

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.

Classification and valuation of investments

The Group has decided to classify investments in listed securities as 'available -for-sale' investments and movements in fair value are recognised directly in equity, except to the extent the change in fair value represents an impairment, in which case the amount is recognised in the income statement. The fair value of listed shares has been determined by reference to published price quotations in an active market.

Share-based payment transactions

The Group 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 23. 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.

t) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Trade and other receivables

Fair value which is determined for disclosure purposes, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

3 Significant accounting policies (continued)

Non derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

4 Discontinued operation

Following the termination of the Tecmad management agreement in Angola, the Company's active involvement in Africa effectively ended. On 28 November 2008, the Company's shareholders in general meeting approved the sale of the South African subsidiary company, R&I Holdings (SA) Pty Ltd and all other assets, including assignment of the rights to the inter-entity loan (refer to note 13 for more details), to Vivid Diamonds Company Pty Ltd for $250,000 payable in instalments through to April 2009. As at 30 June 2009, $200,000 of the sale price had been received.

In AUD	2009	2008
Result of discontinued operation		
Revenue	637,535	1,319,243
Expenses	(397,594)	(2,230,817)
Profit (loss) from operating activities	**239,941**	**(911,574)**
Net financial income	4,625	19,708
Profit (loss) before income tax	**244,566**	**(891,866)**
Income tax (expense) benefit	-	-
Profit (loss) from operating activities, net of income tax	244,566	(891,866)
Gain on sale of discontinued operation	4,723,549	-
Income (tax) benefit on gain on sale of discontinued operation	-	-
Profit (loss) for the period	4,968,115	(891,866)
Basic and diluted earnings (loss) per share (AUD)	$0.1460	($0.0262)
Cash flows from (used in) discontinued operation		
Net cash from (used in) operating activities	106,442	124,653
Net cash from (used in) investing activities	-	(84,561)
Net cash from (used in) discontinued operation	**106,442**	**40,092**
Effect of disposal on the financial position of the Group		
Cash and cash equivalents (see note 24)	(67,248)	
Trade and other receivables	(188,678)	
Property, plant and equipment (see note 15)	(23,996)	
Trade and other payables including NAMF loan (see note 21)	3,003,208	
Provisions (see note 20)	64,791	
Net assets and liabilities	**2,788,077**	

No portion of the consideration received was applied to loans to controlled entities which have been written down to nil in previous financial accounts.

Consideration received, satisfied in cash	200,000
Costs related to sale	(12,195)
Cash disposed of	(67,248)
Net cash inflow	**120,557**

5 Segment reporting

During the financial year the Group operated in two principal geographical areas, Australia and Africa. The Group's primary format for segment reporting is therefore based on geographic segments. The Company operates in one business segment, namely the exploration of diamonds and other mineral resources.

In AUD	Africa (discontinued operation)		Australia (continuing operation)		Eliminations		Consolidated	
Primary reporting – geographic segments	2009	2008	2009	2008	2009	2008	2009	2008
Revenue from external customers	637,535	1,319,243	-	-	-	-	637,535	1,319,243
Segment result	239,941	118,453	(229,634)	(601,404)	-	-	10,307	(482,951)
Impairment loss	-	(1,030,027)	(11,429)	(1,290,430)	-	-	(11,429)	(2,320,457)
Net financing income (expense)	4,625	19,708	(49,114)	(383,350)	-	-	(44,489)	(363,642)
Gain on sale of discontinued operation	4,723,549	-	-	-	-	-	4,723,549	-
Profit (loss) for the period	**4,968,115**	**(891,866)**	**(290,177)**	**(2,275,184)**	**-**	**-**	**4,677,938**	**(3,167,050)**
ASSETS								
Segment assets	-	387,660	253,176	264,374	-	-	253,176	652,034
LIABILITIES								
Segment liabilities	-	21,778,549	309,168	448,361	-	(18,922,762)	309,168	3,304,148
Capital and exploration expenditure	-	84,561	22,957	95,991	-	-	22,957	180,552

Intra-group transactions including inter-company management fees, recoveries (provisions) of controlled entity loans and unrealised foreign exchange gains (losses) arising from transactions between the Company and its subsidiaries have been eliminated against their respective segments.

6 Other income

		Consolidated		Company	
In AUD	Note	2009	2008	2009	2008
Intercompany management fee		-	-	-	61,446
Debt forgiveness on settlement of related party loan	27	13,948	-	13,948	-
Other		58,637	-	58,637	-
		72,585	-	72,585	61,446

7 Expenses

		Consolidated		Company	
In AUD	Note	2009	2008	2009	2008
Impairment loss					
Impairment of exploration and evaluation assets		11,429	1,371,555	11,429	1,290,430
Impairment of property, plant and equipment		-	948,902	-	-
		11,429	2,320,457	11,429	1,290,430
Attributable to:					
Continuing operations		11,429	1,290,430	11,429	1,290,430
Discontinued operation	4	-	1,030,027	-	-
		11,429	2,320,457	11,429	1,290,430
Depreciation					
Plant and equipment – disclosed as administrative expenses		5,218	27,668	2,607	5,731
Attributable to:					
Continuing operations		2,607	5,731	2,607	5,731
Discontinued operation	4	2,611	21,937	-	-
		5,218	27,668	2,607	5,731
Operating lease rental expenses attributable to discontinued operation	4	48,059	162,538	-	-
Other expenses					
Net loss on sale of property, plant and equipment		-	1,255	-	1,255

8 Personnel expenses

		Consolidated		Company	
In AUD	Note	2009	2008	2009	2008
Wages, salaries and director fees		243,069	726,692	45,000	145,830
Superannuation costs		-	1,735	-	1,735
Equity settled share-based payment transactions		2,440	13,737	2,440	13,737
Other associated personnel costs		2,661	37,344	-	28,433
Increase (decrease) in liability for annual leave		3,112	20	-	-
		251,282	779,528	47,440	189,735
Attributable to:					
Continuing operations		47,440	189,735	47,440	189,735
Discontinued operation	4	203,842	589,793	-	-
		251,282	779,528	47,440	189,735

9 Finance income and expense

In AUD	Note	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
Finance income					
Interest income		6,239	33,697	1,521	13,916
Financial income		6,239	33,697	1,521	13,916
Attributable to:					
Continuing operations		1,521	13,916	1,521	13,916
Discontinued operation	4	4,718	19,781	-	-
		6,239	33,697	1,521	13,926
Finance expense					
Interest expense – related party		3,800	29,245	3,800	29,245
Interest expense – other		93	73	-	-
Foreign exchange losses		2,192	-	2,192	-
Impairment of available-for-sale financial assets		44,643	339,013	44,643	339,013
Net loss on sale of available-for-sale financial assets		-	29,008	-	29,008
Financial expenses		50,728	397,339	50,635	397,266
Attributable to:					
Continuing operations		50,365	397,266	50,635	397,266
Discontinued operation	4	93	73	-	-
		50,728	397,339	50,635	397,266

10 Income tax expense

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

In AUD	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
Profit (Loss) before tax	4,677,938	(3,167,050)	122,628	(2,135,184)
Income tax expense (benefit) using the domestic corporation tax rate of 30% (2008: 30%)	1,403,381	(950,115)	36,788	(640,555)
Increase (decrease) in income tax due to:				
Non-deductible expenses	2,771	8,742	2,771	8,514
Under/(over) provision for prior year	-	-	-	140
Effect of tax losses and deductible temporary differences not recognised	131,243	982,241	131,243	677,595
Amortisation and impairment of exploration assets	-	4,826	-	-
Tax effect of non-assessable income	(1,494,619)	-	(128,026)	-
Tax deductible equity raising costs	(42,776)	(45,694)	(42,776)	(45,694)
Income tax expense (income) attributable to entity	-	-	-	-

11 Earnings (loss) per share

Basic earnings (loss) per share

	Consolidated 2009	Consolidated 2008
Basic earnings (loss) per share (cents)	13.80	(9.30)
Basic (loss) per share from continuing operations (cents)	(0.80)	(6.70)

The calculation of basic earnings (loss) per share at 30 June 2009 was based on the profit attributable to ordinary shareholders of $4,677,938 (2008: loss of $3,167,050) and a weighted average number of ordinary shares outstanding of 34,034,654 (2008: 34,034,654), calculated as follows.

Profit (loss) attributable to ordinary shareholders

In AUD	Consolidated 2009 Continuing operations	2009 Discontinued operation	2009 Total	2008 Continuing operations	2008 Discontinued operation	2008 Total
Profit (loss) for the period	(290,177)	4,968,115	4,677,938	(2,275,184)	(891,866)	(3,167,050)

11 Earnings (loss) per share (continued)

Diluted earnings (loss) per share

	Consolidated	
	2009	2008
Diluted earnings (loss) per share (cents)	13.80	(9.30)
Diluted (loss) per share from continuing operations (cents)	(0.80)	(6.70)

The Group is in a loss making position and it is unlikely that the conversion to, calling of, or subscription for, ordinary share capital in respect of potential ordinary shares would lead to diluted earnings per share that shows an inferior view of the earnings per share. For this reason, the diluted loss per share is the same as the basic loss per share.

The options disclosed in note 22 are not considered to be dilutive at 30 June 2009.

12 Auditor's remuneration

	Consolidated		Company	
In AUD	2009	2008	2009	2008
Audit services				
Audit and review of financial reports (Somes & Cooke)	22,750	-	22,750	-
Audit and review of financial reports (KPMG Australia)	5,165	40,000	5,165	40,000
Audit and review of financial reports (Overseas KPMG firms)	-	36,982	-	-
	27,915	76,982	27,915	40,000

13 Trade and other receivables

	Note	Company	Consolidated	Company
In AUD		2009	2008	2008
Current				
Receivable – disposal of discontinued operation	4	50,000	-	-
Indirect and payroll taxes		1,339	18,468	15,529
Environmental bonds		-	135,958	-
Other		1,447	92,146	-
		52,786	246,572	15,529
Non current				
Loans to controlled entities		-	-	18,922,762
Provision for non-recovery of loan		-	-	(18,922,762)
		-	-	-

Loans to controlled entities represent funds remitted by the Company to Resource & Investment Holdings (SA) (Pty) Ltd (R&I SAF) for the acquisition of mining leases and to meet exploration, evaluation, development and administration costs in South Africa. $175,000 (2008: $78,554) in loaned funds were repaid by R&I SAF during the period.

As part of the agreement entered into with Vivid Diamonds Company (Pty) Ltd (Vivid) for the sale of R&I SAF, the Company agreed to assign to Vivid, its right, title and interest to all amounts owing to it by R&I SAF. As a result, the Company has written-of $18,747,762 in loaned funds during the period, which had been fully provided for in previous financial years. The Company's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 25.

14 Investments

	Company	Consolidated	Company
In AUD	2009	2008	2008
Non current			
Available-for-sale financial assets	90,614	137,450	137,450

The Company holds equity investments in Marine Produce Australia Limited (MPA), an Australian Stock Exchange listed company, and Caldera Resources Inc, a company listed on the Toronto Stock Exchange. The investments are carried at fair value, represented by their quoted bid price at balance sheet date.

Impairment loss

The Company has recognised $44,643 (2008: $339,013) in impairment losses with respect to its available-for-sale financial assets during the financial year. The impairment loss is included and disclosed as part of financial expenses in note 9.

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 profit by $27,184 after tax (2008: decreased loss by $41,236); an equal change in the opposite direction would have decreased profit by $27,184 after tax (2008: increased the loss by $41,236). The analysis is performed on the same basis for 2008.

The Company's exposure to credit and currency risks related to investments is disclosed in note 25.

15 Property, plant and equipment

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

	Consolidated			Company		
In AUD	Plant & equipment	Office equipment	Total	Plant & equipment	Office equipment	Total
Carrying amount						
Balance at 1 July 2007	1,083,912	13,154	1,097,066	-	13,154	13,154
Additions	3,436	36,255	39,691	-	36,255	36,255
Disposals	-	(36,255)	(36,255)	-	(36,255)	(36,255)
Depreciation	(21,937)	(5,731)	(27,668)	-	(5,731)	(5,731)
Impairment loss	(948,902)	-	(948,902)	-	-	-
Effect of foreign currency translation	(95,698)	-	(95,698)	-	-	-
Balance as at 30 June 2008	20,811	7,423	28,234	-	7,423	7,423
Balance at 1 July 2008	20,811	7,423	28,234	-	7,423	7,423
Additions	-	10,206	10,206	-	10,206	10,206
Disposals	-	-	-	-	-	-
Depreciation	(2,611)	(2,607)	(5,218)	-	(2,607)	(2,607)
Effect of foreign currency translation	5,796	-	5,796	-	-	-
Effect of disposal of discontinued operation (note 4)	(23,996)	-	(23,996)	-	-	-
Balance as at 30 June 2009	-	15,022	15,022	-	15,022	15,022
Carrying amounts						
At 1 July 2007	1,083,912	13,154	1,097,066	-	13,154	13,154
At 30 June 2008	20,811	7,423	28,234	-	7,423	7,423
At 1 July 2008	20,811	7,423	28,234	-	7,423	7,423
At 30 June 2009	-	15,022	15,022	-	15,022	15,022

16 Exploration and evaluation assets

In AUD	Company 2009	Consolidated 2008	Company 2008
Exploration and evaluation assets	1,322	-	-

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

In AUD	Company 2009	Consolidated 2008	Company 2008
Carrying amount at the beginning of the year	-	1,230,694	1,230,694
Expenditure during the period	12,751	140,861	59,736
Impairment loss	(11,429)	(1,371,555)	(1,290,430)
Carrying amount at the end of the year	1,322	-	-

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Consolidated		Company	
In AUD	2009	2008	2009	2008
Deductible temporary differences	163,779	-	163,779	-
Tax revenue losses	1,507,872	5,551,022	1,507,872	1,382,750
Tax capital losses	27,194	27,194	27,194	27,194
	1,698,845	5,578,216	1,698,845	1,409,944

17 Tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In AUD	Assets		Liabilities		Net	
Consolidated	2009	2008	2009	2008	2009	2008
Property, plant & equipment	-	-	-	6,035	-	6,035
Exploration & evaluation assets	-	-	397	-	397	-
Trade and other receivables	-	167	-	-	-	167
Provisions	(397)	(6,202)	-	-	(397)	(6,202)
	(397)	(6,035)	397	6,035	-	-

In AUD	Assets		Liabilities		Net	
The Company	2009	2008	2009	2008	2009	2008
Exploration & evaluation assets	-	-	397	-	397	-
Accruals and provisions	(397)	-	-	-	(397)	-
	(397)	-	397	-	-	-

Movements in temporary differences during the year - Consolidated

In AUD	Balance at 1 Jul 07	Recognised in Income	Recognised in Equity	Balance 30 June 08	Recognised in Income	Sales & acquisitions	Balance 30 June 09
Property, plant & equipment	18,819	(18,819)	-	-	-	-	-
Exploration & evaluation assets	369,208	(369,208)	-	-	397	-	397
Trade and other receivables	(369,253)	369,420	-	167	-	(167)	-
Provisions	(18,774)	18,607	-	(167)	(397)	167	(397)
	-	-	-	-	-	-	-

Movements in temporary differences during the year – The Company

In AUD	Balance at 1 Jul 07	Recognised in Income	Recognised in Equity	Balance 30 June 08	Recognised in Income	Recognised in Equity	Balance 30 June 09
Property, plant & equipment	140	(140)	-	-	-	-	-
Exploration & evaluation assets	369,208	(369,208)	-	-	397	-	397
Trade and other receivables	(369,348)	369,348	-	-	-	-	-
Accruals & provisions	-	-	-	-	(397)	-	(397)
	-	-	-	-	-	-	-

18 Trade and other payables

In AUD		Company 2009	Consolidated 2008	Company 2008
Trade and other accruals		94,668	506,868	288,213
Trade and other accruals – deferred related party payables	(i)	214,500	-	-
		309,168	506,868	288,213

(i) Refer to note 25 and note 27 for more details.

The Company's exposure to liquidity risk related to trade and other payables is disclosed in note 25.

19 Interest bearing liabilities

In AUD	Company 2009	Consolidated 2008	Company 2008
Payable – Blina Diamonds NL	-	160,148	160,418

During the financial year ended 30 June 2007, the Company entered into an arrangement with Blina Diamonds NL (Blina), whereby Blina agreed to conduct all exploration, drilling and processing of samples related to the Company's Ellendale East and Ellendale South Project, at cost plus 8% margin. The Company agreed to pay the outstanding balance, together with interest thereon at the rate of 10% per annum from 1 July 2007 compounded monthly and calculated at the reducing balance, by way of monthly instalments of $25,000.

At 30 June 2008 an amount of $160,148 was payable to Blina, representing $130,903 in principal and $29,245 in capitalised interest.

During the current reporting period, the Company paid Blina a further $100,000 by way of four monthly instalment payments of $25,000 each, reducing the debt balance to $63,948 as at 28 November 2008, represented by $30,903 in principal and $33,045 in capitalised interest.

The parties then agreed that an amount of $50,000 will be paid by the Company to Blina in full and final settlement of the $63,948 debt, thereby reducing the debt balance to $nil.

20 Provisions

	Consolidated			Company		
In AUD	Annual leave	Site restoration	Total	Annual leave	Site restoration	Total
Balance at 1 July 1007	25,681	71,272	96,953	-	-	-
Provisions made (reversed) during the period	13,009	-	13,009	-	-	-
Provisions used during the period	(6,524)	-	(6,524)	-	-	-
Unwind of discount	-	-	-	-	-	-
Effect of foreign currency translation	(6,465)	(15,373)	(21,838)	-	-	-
Balance as at 30 June 2008	25,701	55,899	81,600	-	-	-

	Consolidated			Company		
In AUD	Annual leave	Site restoration	Total	Annual leave	Site restoration	Total
Balance at 1 July 2008	25,701	55,899	81,600	-	-	-
Provision made (reversed) during the period	-	-	-	-	-	-
Provisions used during the period	(28,813)	-	(28,813)	-	-	-
Unwind of discount	-	-	-	-	-	-
Effect of foreign currency translation	3,112	8,892	12,004	-	-	-
Effect of disposal of discontinued operation	-	(64,791)	(64,791)	-	-	-
Balance as at 30 June 2009	-	-	-	-	-	-

21 Other liabilities

	Company	Consolidated	Company
In AUD	2009	2008	2008
New Africa Mining Fund (NAMF) loan	-	2,555,532	-

As part of the agreement entered into with Vivid Diamonds Company (Pty) Ltd (Vivid) for the sale of Resource & Investment (SA) (Pty) Ltd (SAF), Vivid agreed to assume full liability for and unconditionally indemnify the Company against all existing and future liabilities including the NAMF loan. As a result $2,962,010, representing the NAMF loan as at 30 Nov 08, was disposed of on the sale of the R&I SAF.

22 Issued capital and reserves

	Company	Consolidated	Company
In AUD	2009	2008	2008
Issued and fully paid ordinary shares	25,077,334	25,077,334	25,077,334

There was no movement in issued and fully paid ordinary shares of the Company during the financial year.

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.

Unissued shares under options

Details of share options as at 30 June 2009 are as follows:

	Issue date	Number of options	Exercise Price	Expiry date
Options issued to directors	7 Sep 2006	1,500,000	$0.90	7 Sep 2009
Options issued to directors	25 Nov 2005	550,000	$1.30	24 Nov 2010
Options issued to directors	7 Sep 2006	1,500,000	$1.50	7 Sep 2011

No ordinary shares were issued by the Company as a result of the exercise of options during the financial year. No options over ordinary shares previously granted were exercised or forfeited during the financial year.

Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

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.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired.

23 Share based payments

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 and staff to increase shareholder wealth. LTIs are provided as options over ordinary shares of the Company and are provided to key management personnel and staff based on their level of seniority and position within the Group.

Options may only be issued to directors subject to approval by shareholders in general meeting.

The Company did not grant any options over unissued ordinary shares in Resource & Investment NL to key management personnel or staff during, or since the end of the financial year.

The terms and conditions of existing equity based compensation plans issued in prior financial years to which the recognition and measurement principles of AASB 2 have been applied are listed below.

24 November 2010 Director Options

At the Annual General Meeting held on 25 November 2005, shareholders approved the issue of 5,500,000 unlisted options to directors of the Company, to subscribe for ordinary fully paid shares in the Company at any time on or before 24 November 2010 at an exercise price of $0.13 each. The options were issued to the following previous directors of the Company:

	Number of options
Mr John LG Firth *(resigned 28 April 2009)*	2,000,000
Mr Richard J Linnell *(resigned 30 September 2008)*	500,000
Mr Peter D Danchin *(resigned 21 December 2007)*	1,500,000
Mr Karl M Simich *(resigned 30 June 2006)*	1,500,000
	5,500,000

Under the Board's discretion, the unlisted options issued to the above previous directors have not been cancelled upon their respective resignations.

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

The consolidation of the Company's share capital on 10-to-1 basis on 20 September 2006 resulted in every ten options on issue under the plan to be consolidated as outlined below.

	Number of options
Mr John LG Firth *(resigned 28 April 2009)*	200,000
Mr Richard J Linnell *(resigned 30 September 2008)*	50,000
Mr Peter D Danchin *(resigned 21 December 2007)*	150,000
Mr Karl M Simich *(resigned 30 June 2006)*	150,000
	550,000

The exercise price of $0.13 per option was adjusted to $1.30 to reflect the share capital consolidation.

2009 and 2011 Director Options

At the General Meeting held on 7 September 2006, shareholders approved the issue options to Mr M Kennedy. Each option carries the right to subscribe for one ordinary fully paid share in the Company and is exercisable at any time from the date of issue until their expiry date.

	Number of options	Exercise Price
Options expiring 7 September 2009	15,000,000	$0.09
Options expiring 7 September 2011	15,000,000	$0.15

There are no voting or dividend rights attached to the options. Voting rights will be attached to the ordinary issued shares when the options have been exercised.

23 Share based payments (continued)

The consolidation of the Company's share capital on 10-to-1 basis on 20 September 2006 resulted in every ten options on issue under the plan to be consolidated to one and adjusted the exercise price of each issue as outlined below:

	Number of options	Exercise Price
Options expiring 7 September 2009	1,500,000	$0.90
Options expiring 7 September 2011	1,500,000	$1.50

The number and weighted average exercise prices of share options are as follows:

	2009		2008	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at 1 July	$1.22	3,550,000	$1.24	3,583,500
Expired during the period	-	-	$4.00	(33,500)
Outstanding and exercisable at 30 June	$1.22	3,550,000	$1.22	3,550,000

The options outstanding at 30 June 2009 have an exercise price in the range of $0.90 to $1.50 and a weighted average contractual life of 1.3 years.

Fair value basis

The fair value of options issued under the existing plans, are estimated at the date of grant using the Black-Scholes model. The following table sets out the assumptions made in determining the fair value of the options granted.

	Options expiring 25 Nov 2010	Options expiring 7 Sep 2009	Options expiring 7 sep 2011
Grant date	25 Nov 2005	7 Sep 2006	7 Sep 2006
Dividend yield	0.00%	0.00%	0.00%
Expected volatility	50.00%	50.00%	50.00%
Risk-free interest rate	5.25%	5.25%	5.25%
Option exercise price	$0.13	$0.09	$0.15
Expected life (years)	1.00 – 3.00	2.00	3.50
Share price on date of grant	$0.086	$0.039	$0.039

The factors and assumptions above are based on a pre 10-to-1 share consolidation basis, as announced on 20 September 2006. The modification to the number of share options and related exercise price of the options on issue arising from the consolidation did not increase the fair value of the options granted and no adjustments have been made in respect of fair value.

24 Cash and cash equivalents

	Consolidated		Company	
In AUD	2009	2008	2009	2008
Bank balances	93,432	239,778	93,432	103,972
Cash and cash equivalents in the statement of cash flows	93,432	239,778	93,432	103,972

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets are discussed in note 25.

Reconciliation of cash flows from operating activities

	Consolidated		Company	
In AUD	2009	2008	2009	2008
Profit (Loss) for the period	**4,677,938**	**(3,167,050)**	**122,628**	**(2,135,184)**
Adjusted for:				
Provision (recovery) of controlled entity loan	-	-	(175,000)	(78,554)
Interest capitalised – related entity loan	3,800	29,245	3,800	29,245
Management fee	-	-	-	(61,446)
Depreciation	5,218	27,668	2,607	5,731
Impairment losses	56,072	2,659,470	56,072	1,629,443
Share-based payments	5,367	18,889	5,367	18,889
Foreign exchange (gain) loss	2,192	-	2,192	-
(Gain) on sale of controlled entity	(4,723,549)	-	(237,805)	-
Sundry income	(72,495)	-	(72,495)	-
Loss on sale of non current assets	-	1,255	-	1,255

Loss on sale of listed investments	-	29,008	-	29,008
Operating profit (loss) before changes in working capital and provisions	(45,457)	(401,515)	(292,634)	(561,613)
Decrease (increase) in inventories	16,175	16,175	-	-
Decrease (increase) in receivables	193,786	(82,112)	12,743	(15,529)
(Decrease) increase in payables	(176,850)	214,440	79,503	199,497
(Decrease) increase in provisions	(81,600)	20	-	-
Net cash outflow from operating activities	**(93,946)**	**(252,992)**	**(200,388)**	**(377,645)**

25 Financial instruments

Financial risk management

This note presents information about the Company's and Group'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 and the Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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 Group through regular reviews of the risks.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Company or Group. 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 limited.

$50,000 (2008: $nil) in relation to the sale proceeds receivable from the disposal of R&I Holdings (SA) (Pty) Ltd during the period are past due at reporting date. The directors of the Company expect the remaining proceeds of the sale to be received and do not believe that an impairment in respect of this receivable is required.

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. The Company anticipates a need to raise additional capital in the next 12 months to meet forecast operational and exploration activities. The decision on how the Company will raise future capital will depend on market conditions existing at that time.

The following are the contractual and expected maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

In AUD	Note	Company 2009	Consolidated 2008	Company 2008
Trade and other payables	18			
- Within 6 months	(i)	309,168	506,868	288,213
Total		309,168	506,868	288,213
Interest bearing liabilities	19			
- Within 6 months		-	160,148	160,148
Total		-	160,148	160,148
Other liabilities	20	-	2,555,532	-

(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. Subsequent to 30 June 2009 RDC assigned all its rights and interest in respect of this debt to MAK Super (WA) Pty Ltd (MAK), a company associated with Mr M Kennedy, and Tongaat Pty Ltd (Tongaat). Subject to shareholder approval, the Company intends to repay the balance due to the newly assigned parties via the issue of ordinary shares. If the required approval is not obtained by the Company by 16 November 2009, or such later date as agreed to in writing, the newly assigned balances will continue to be repayable by the Company to MAK and Tongaat on demand. Refer to note 28 for more details.

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 and development of its 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.

25 Financial instruments (continued)

Due to the Company's activities being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet exploration programmes and corporate overheads. Refer to note 2(a) for details regarding the Company's financial position as at 30 June 2009.

The Company encourages employees and directors to be shareholders through its various equity-based long-term incentives as detailed in note 23.

There were no changes in the Group'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

Prior to disposal of the Company's controlled entity, R&I Holdings (SA) (Pty) Ltd, the Group operated internationally and was exposed to currency risk from various currency exposures, primarily with respect to the US Dollar (USD) and South African Rand (ZAR). Currency exposure for the Group arose from the translation of foreign subsidiaries, measured using the currency of the primary economic environment in which the subsidiaries operated (ZAR), into the Group's presentation currency (AUD). These differences were recognised directly in a separate component of equity (foreign currency translation reserve). The Group's investment in its subsidiary was not hedged as the currency positions were considered to be long term in nature. The Company and Group is not exposed to such currency risks as at reporting date, due to disposal of the discontinued operation on 30 November 2008. Refer to note 4 for details.
Foreign exchange risk for the Company arises from investments the Company holds in Canadian Dollars (CAD).

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

The Company's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

In AUD	Note	2009 CAD	2008 CAD
Financial assets			
Available-for-sale financial assets	14	75,110	107,810
Net balance sheet exposure		75,110	107,810

The following exchange rate applied in relation to the above investment at reporting date:

	2009	2008
CAD	0.9303	0.9722

Sensitivity analysis

A 10 percent strengthening/weakening of the AUD against the CAD at 30 June would have no material impact on the income statement. There would be no effect on the equity reserves other than those directly related to the income statement. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

Cash flow interest rate risk

The Company is exposed to interest rate risk, primarily on its cash and cash equivalents, which 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 2009 the interest rate profile of the Company's interest-bearing financial instruments was:

			Fixed Interest Rate Maturity			
	Average Interest Rate %	Variable Interest Rate A$	Less than 1 Year A$	1 to 5 Years A$	More than 5 Years A$	Total A$
Financial assets						
Cash and cash equivalents	0.10%	93,432	-	-	-	93,432

25 Financial instruments (continued)

At 30 June 2008 the interest rate profile of the Group's interest-bearing financial instruments was:

	Average Interest Rate %	Variable Interest Rate A$	Fixed Interest Rate Maturity: Less than 1 Year A$	1 to 5 Years A$	More than 5 Years A$	Total A$
Financial assets						
Cash and cash equivalents	7.31%	239,778	-	-	-	239,778
Environmental bonds	8.50%	-	135,958	-	-	135,958
Financial liabilities						
Interest bearing liabilities	10.00%	-	160,148	-	-	160,148

At 30 June 2008 the interest rate profile of the Company's interest-bearing financial instruments was:

	Average Interest Rate %	Variable Interest Rate A$	Fixed Interest Rate Maturity: Less than 1 Year A$	1 to 5 Years A$	More than 5 Years A$	Total A$
Financial assets						
Cash and cash equivalents	5.75%	103,972	-	-	-	103,972
Financial liabilities						
Interest bearing liabilities	10.00%	-	160,148	-	-	160,148

Cash flow sensitivity analysis for variable rate instruments

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.

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 2008.

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 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 14 for sensitivity analysis in relation to the Company's listed investments.

Commodity price risk

The Company operates primarily in the exploration and evaluation phase and accordingly the Company's financial assets and liabilities are not subject to commodity price risk.

26 Controlled entities

Particulars in relation to controlled entities	Country of incorporation	Ownership interest 2009	2008
Parent Entity			
Resource & Investment NL	Australia		
Controlled Entities			
R&I Holdings (SA) (Pty) Ltd	South Africa	-	100%
NDC Mining Company (Pty) Ltd	South Africa	-	64%
Rency (Pty) Ltd	South Africa	-	64%
Geelwal Karoo Diamante (Pty) Ltd	South Africa	-	64%
R&I Mining Projects (Pty) Ltd	South Africa	-	100%

Following the termination of the Tecmad management agreement in Angola, the Company's active involvement in Africa effectively ended. On 28 November 2008, the Company's shareholders in general meeting approved the sale of the South African subsidiary company, R&I Holdings (SA) Pty Ltd and all other assets, including assignment of the rights to the inter-entity loan (refer to note 13 for more details), to Vivid Diamonds Company Pty Ltd for $250,000. As at 30 June 2009, $200,000 of the sale price had been received. Refer to note 4 for more details.

27 Related parties

Key management personnel compensation

The key management personnel compensation included in 'personnel expenses' (see note 8) is as follows:

	Consolidated		Company	
In AUD	2009	2008	2009	2008
Short-term employee benefits	145,000	484,375	45,000	145,830
Post-employment benefits	-	1,735	-	1,735
Share-based payments	2,440	13,737	2,440	13,737
	147,440	499,847	47,440	161,302

Individual directors and executives compensation disclosures

Information regarding individual directors and executives 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 or the Group 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 year ended 30 June		Balance outstanding as at 30 June	
In AUD		Note	2009	2008	2009	2008
Key management personnel and their related parties	**Transaction**					
Mr M Kennedy - Resource Development Company Pty Ltd	Management and consulting services	(i)	90,000	180,000	214,500	115,500
Mr M Kennedy – Resource Development Company Pty Ltd	Rental expenses	(ii)	43,794	67,658	55,606	63,259
Mr M Kennedy – Resource Development Company Pty Ltd	Office furniture equipment purchases	(iii)	10,206	-	11,226	-
Mr M Kennedy – Blina Diamonds NL	Loan – Financial expenses	(iv)	3,800	29,245	-	29,245
Mr M Kennedy – Blina Diamonds NL	Loan - Exploration services	(iv)	-	-	-	130,903
					281,332	338,907

(i) Amounts totalling $90,000 (2008: $180,000) were charged to the accounts of the Company by Resource Development Company Pty Ltd (RDC), a company formerly associated with Mr Kennedy, representing consulting and management fees. $31,250 (2008: $62,500) of the balance related to Mr Kennedy's position as non-executive chairman of the Company.

As at 30 June 2009 an amount of $214,500, including GST, remained outstanding and is disclosed as part of trade and other payables within note 18. Subsequent to 30 June 2009 RDC assigned all its rights and interest in respect of an amount of $107,250, being half of the debt, to MAK Super (WA) Pty Ltd (MAK), a company associated with Mr M Kennedy, and $107,250, being half of the debt, to Tongaat Pty Ltd (Tongaat). Subject to shareholder approval, the Company intends to repay the balance due to the newly assigned parties via the issue of ordinary shares. Refer to note 28 for more details.

(ii) Corporate office rent expense and related property outgoings of $43,794 (2008: $67,658) was charged to the accounts of the Company by RDC. As at 30 June 2009 an amount of $55,606, including GST, remained outstanding.

(iii) $10,206 (2008: $nil) was capitalised in relation to the acquisition of office furniture and related equipment from RDC. As at 30 June 2009 an amount of $11,226, including GST, remained outstanding.

(iv) During the financial year ended 30 June 2007, the Company entered into an arrangement with Blina Diamonds NL (Blina), a company formerly associated with Mr Kennedy, whereby Blina agreed to conduct all exploration, drilling and processing of samples related to the Company's Ellendale East and Ellendale South Project, at cost plus 8% margin. The Company agreed to pay the outstanding balance, together with interest thereon at the rate of 10% per annum from 1 July 2007 compounded monthly and calculated at the reducing balance, by way of monthly instalments of $25,000.

At 30 June 2008 an amount of $160,148 was payable to Blina, representing $130,903 in principal and $29,245 in capitalised interest. During the current reporting period, the Company paid Blina a further $100,000 by way of four monthly instalment payments of $25,000 each, reducing the debt balance to $63,948 as at 28 November 2008, represented by $30,903 in principal and $33,045 in capitalised interest.

The parties then agreed that an amount of $50,000 will be paid by the Company to Blina in full and final settlement of the $63,948 debt, thereby reducing the debt balance to $nil.

27 Related parties (continued)

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:

	Held at 1 July 2008 or date of appointment	Granted as compensation	Exercised	Held at resignation	Held at 30 June 2009	Vested during the year	Vested & Exercisable
Directors							
Mr M Kennedy	3,000,000	-	-		3,000,000	-	3,000,000
Mr P Pynes *(appointed 28 Apr 09)*	-	-	-		-	-	-
Mr J Hutton	-	-	-		-	-	-
Mr J Firth *(resigned 28 Apr 09)*	200,000	-	-	200,000		66,667	
Mr R Linnell *(resigned 30 Sep 08)*	50,000	-	-	50,000		16,667	

	Held at 1 July 2007	Granted as compensation	Exercised	Held at resignation	Held at 30 June 2008	Vested during the year	Vested & Exercisable
Directors							
Mr M Kennedy	3,000,000	-	-		3,000,000	-	3,000,000
Mr J Hutton	-	-	-		-	-	-
Mr J Firth	200,000	-	-		200,000	66,667	133,334
Mr R Linnell	50,000	-	-		50,000	16,667	33,334
Mr P Danchin *(resigned 21 Dec 07)*	150,000	-	-	150,000		50,000	

No options held by key management personnel are vested but not exercisable as at 30 June 2008 or 2009.

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:

	Held at 1 July 2008 or date of appointment	Purchases	Received on exercise of options	Sales	Other	Held at resignation	Held at 30 June 2009
Directors							
Mr M Kennedy	2,141,905	352,304	-	-	-		2,494,209
Mr P Pynes *(appointed 28 Apr 09)*	50,000	-	-	-	-		50,000
Mr J Hutton	236,230	-	-	-	-		236,230
Mr J Firth *(resigned 28 Apr 09)*	213,563	-	-	-	-	213,563	
Mr R Linnell *(resigned 30 Sep 08)*	65,000	-	-	-	-	65,000	

	Held at 1 July 2007	Purchases	Received on exercise of options	Sales	Other	Held at resignation	Held at 30 June 2008
Directors							
Mr M Kennedy	1,457,824	780,581	-	(96,500)	-		2,141,905
Mr J Hutton	236,230	-	-	-	-		236,230
Mr J Firth	213,563	-	-	-	-		213,563
Mr R Linnell	65,000	-	-	-	-		65,000
Mr P Danchin *(resigned 21 Dec 07)*	-	-	-	-	-	-	

No shares were granted to key management personnel during the reporting period as compensation in 2008 or 2009.

Other related party transactions

Subsidiary

Loans to controlled entities represent funds remitted by the Company to Resource & Investment Holdings (SA) (Pty) Ltd (R&I SAF) for the acquisition of mining leases and to meet exploration, evaluation, development and administration costs in South Africa. $175,000 (2008: $78,554) in loaned funds were repaid by R&I SAF during the period.

As part of the agreement entered into with Vivid Diamonds Company (Pty) Ltd (Vivid) for the sale of R&I SAF, the Company agreed to assign to Vivid, its right, title and interest to all amounts owing to it by R&I SAF. As a result, the Company has written-of $18,747,762 in loaned funds during the period, which had been fully provided for in previous financial years.

From time to time, the Company or certain controlled entities may transact with other controlled entities within the wholly owned Group. These transactions are on the same terms and conditions as those entered into by other body corporate or are trivial and domestic in nature.

28 Events subsequent to reporting date

Share Issue

On 7 July 2009, the Company announced the issue of 5,100,000 ordinary shares at $0.015 each to raise $76,500.

Other matters

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.

Subsequent to 30 June 2009 RDC assigned all its rights and interest in respect of an amount of $107,250, being half of the debt, to MAK Super (WA) Pty Ltd (MAK), a company associated with Mr M Kennedy, and $107,250, being half of the debt, to Tongaat Pty Ltd (Tongaat).

The Company intends to repay the balance of the debts to the newly assigned parties, MAK and Tongaat, via the issue of ordinary shares subject to receipt of any required shareholder approval, the approval to be sought at the Company's next annual general meeting. If the required approval is not obtained by the Company by 16 November 2009, or such later dated as agreed to in writing, the newly assigned balances will continue to be repayable by the Company to MAK and Tongaat on demand.

1. In the opinion of the directors of Resource & Investment NL ("the Company"):

   (a) the financial statements and notes as set out on pages 11 to 37 and the Remuneration report in the Directors' report are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance, for the financial year ended on that date; and

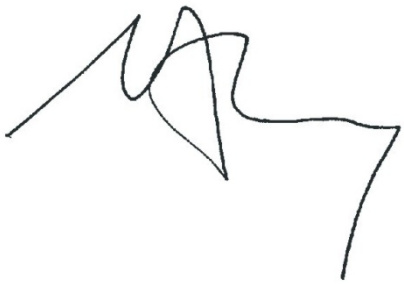
      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(b);

   (c) as a result of the matters described in note 2(a) 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 28 February 2009.

Signed in accordance with a resolution of the directors.



Miles A Kennedy
Non-Executive Chairman

Dated at West Perth this 30th day of September 2009.

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RESOURCE AND INVESTMENT NL ACN 085 806 284 AND CONTROLLED ENTITIES

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 (the company) and controlled entities (the consolidated entity) which comprises the balance sheet as at 30 June 2009 (parent only), and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (Including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 and fair presentation of the financial report 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.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditors Opinion

In our opinion the financial report of Westralian Gas and Power Ltd and its controlled entities is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the company and consolidated entities' financial position as at 30 June 2009 and of their performance for the year ended on that date; and

b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Inherent uncertainty regarding continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1 there is significant uncertainty whether the company will be able to continue as a going concern and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report

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 2009. 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 conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Resource and Investment NL for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001.*

Kevin Somes

Somes and Cooke
1304 Hay Street
West Perth WA 6005

30 September 2009

CORPORATE GOVERNANCE STATEMENT 2009

The Board is committed to following the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (ASX Recommendations) and the Board and Management regularly review the Company's policies and practices to ensure that the Company continues to maintain and improve its governance standards.

The specific aspects that support the implementation of this approach are described below in accordance with the ASX Recommendations.

Details of the main policies of corporate governance adopted by the Company and referred to in its statements are available on the Resource and Investment NL website.

PRINCIPLE 1

Lay Solid Foundations for Management and Oversight
The Board operates in accordance with the broad principles set out in its charter which can be downloaded from the corporate governance section of the Company's website.

Role
The Board is responsible of the overall operation and stewardship of the Company. The Board's specific responsibilities include:

- Input into and approval of the strategic direction of the Company;
- Approving and monitoring capital expenditure;
- Monitoring of financial performance include the reviewing and ratifying the systems in place that manage the material risks to the Company;
- Appointing, removing and setting succession policies for the Managing Director, Directors and seniors Executives;
- Establishing and monitoring the achievement of management's goals;
- Encouraging ethical behaviour throughout the organisation.

Delegation
Clause 6 of the Board Charter sets out the Boards' delegation of the responsibility to allow Senior Management being the Chief Financial Officer and the Operations Manager, to carry out day-to-day operations and administration of the Company. In carrying out this delegation, Senior Management reports regularly to the Board on the Company's progress on achieving the short, medium and long term plans of the Company. Senior Management is accountable to the Board for the authority that is delegated by the Board.

The Board Charter supports all delegations of responsibility by formally defining the specific functions reserved for the Board of Committees, and those matters delegated to management.

Performance Review of Senior Executives
In accordance with the clause 5.5 of its Charter, each year the Board approves the criteria for assessing the performance of Senior Management.

In addition, performance reviews of the Senior Management are conducted regularly during the year by the full Board. The performance of Senior Management is reviewed by comparing performance against agreed measures, examining the effectiveness and quality of the individual, assessing key contributions, identifying areas of potential improvement and assessing whether various expectations of shareholders have been met.

Further details of how the Company assesses the performance of Senior Management are set out in the Remuneration Report of the Annual Report.

PRINCIPLE 2

Structure the Board to Add Value

Board Composition
The Board strives to ensure that it is comprised of strongly performing individuals of the utmost integrity whose complementary skills, experience, qualifications and personal characteristics are suited to the Company's needs.

The Company's Constitution provides for a minimum of three and a maximum of ten Directors.

At the commencement of the 2009 financial year, the Board comprised four Directors. A profile of each Director, including their skills, experience, relevant expertise, special responsibilities and the date each Director was appointed to the Board of the Company is set out in the Directors' Report of the 2009 Annual Report.

Independence
At present the Board does not comprise a majority of independent directors. The Board defines 'independence' in accordance with the ASX Recommendations.

In order to ensure that any 'interests' of a Director in a matter to be considered by the Board are known by each Director, each Director had contracted with the Company to disclose any relationships, duties or interests held that may give rise to a potential conflict. Directors are required to adhere strictly to constraints on their participation and voting in relation to any matters in which they may have an interest. Each Director is required by the Company to declare on an annual basis the details of any financial or other relevant interests that they may have in the Company.

The Chairman
Our Chairman is a Non-Executive Director. The Chairman is responsible for the leadership of the Board and to ensure that the Board functions effectively.

The Nomination and Remuneration Committee
The full Board of the Company carries out the duties of the Nomination and Remuneration Committee.

Selection and Appointment of Directors
The full Board considers and identifies candidates who may be qualified to become Directors. The nomination of all new Directors including the Managing Director is considered by the full Board. The Board assesses the nominees against a range of specific criteria including their experience, professional skills, potential conflicts of interest and the requirement for independence. All new appointments to the Board are subject to shareholder approval.

Retirement and Re-election of Directors
The Company's constitution requires one-third of the Directors (rounded down to the next lowest number) to retire by rotation at each general meeting (AGM). In selecting the Directors to retire the Board has regard to a number of factors including the optimal composition of the Board having regard to the on-going needs of the Company, the skills and experience of the Directors, their potential conflict of interests, and the length of time the Director has held office.

A Director must retire in any event at the third AGM since he or she was last elected or re-elected. Retiring Directors may offer themselves for re-election.

The Managing Director is not subject to retirement by rotation and is not to be taken into account in determining the number of Directors required retiring by rotation.

Director Induction and Education
The Company has a process to educate new Directors about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning the performance of the Directors. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

It is the practice of Directors to visit the Company's aquaculture sites and meet with management to gain a better understanding of the business on a regular basis.

New Directors also receive a letter of appointment which outlines their main responsibilities and provides new Directors with a broad range of information about the Company.

Independent Professional Advice and Access to Company Information
Directors have a right to access to all relevant Company information and, subject to prior consultation with the Chairman, may seek independent advice from suitably qualified advisors at the Company's expense.

Evaluating Board Performance
The criterion for the evaluation of each Director is their contribution to specific Board objectives, including the following:

- Setting corporate strategies;
- Identification, analysis and responses to risks and issues;
- Monitoring of the Company's progress against its business objectives;
- Understanding and analysis of the Board papers presented by management;
- Use of industry, financial and broad knowledge to add value to the deliberations of the Board.

Board Committees
The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adherers to appropriate ethical standards. The full Board currently holds meetings at least four times a year and at such other times as may be necessary to address any general or specific matters as required.

When Company's activities increase in size, scope and nature, the appointment of separate or special committees will be reviewed by the Board and implemented if appropriate.

PRINCIPLE 3

Promote Ethical and Responsible Decision-Making
The Board acknowledges the need for continued maintenance of a professional standard of a corporate governance practice and ethical conduct by all Directors and employees of the Company. The Board and the Company's employees are expected to uphold the highest levels of integrity and professional behaviour in their relationships with all of the Company's stakeholders.

Code of Conduct
The code describes standards for appropriate ethical and professional behaviour for all Directors, employees and contractors working for the Company. The Code of Conduct requires all Directors, employees and contractors to conduct business with the highest ethical standards including compliance with the law and to report any interest that may give rise to a conflict of interest. Breaches of the Code of Conduct are taken seriously by the Company. The Code of Conduct is made available to all employees.

Values
The Company has also implemented a set of values designed as a guide by the Directors and all employees in their day-to-day dealings with each other, competitors, customers and the community. The values established are summarised under the headings Respect, Integrity, Action and Results.

Trading in the Company's Shares
To safeguard against insider trading the Company's Securities Trading policy prohibits Directors and employees from trading the Company's securities if they are aware of any information that would be expected to have a material effect on the price of the Company's securities.

Directors must consult with the Chairman of the Board, or in his absence or conflict, the Deputy Chairman, before dealing in shares or other securities of the Company.

Dealings (whether purchases or sales) in the Company's shares or other securities by related personnel may not be carried out other than in the dealing "window", being the period commencing 2 days and ending 2 days following the date of announcement of the Company annual or half yearly results or a major announcement leading to a fully informed market.

"Major" is defined as an announcement that may as a direct result, affect the share price, or an announcement affecting the operations of the Company. If within that period any further announcement arises that may separately affect the share price, the Chairman or in his absence the Deputy may impose a lock-down period on the ability to trade.

All related persons must give details of any acquisitions or disposal of shares or other securities in the Company, within one business day to the Company Secretary of the Company.

All related persons must ensure that they at all times observe the insider trading rules of the Corporations Act.

The Company discloses to ASX any transaction conducted by the Directors in the Company's securities in accordance with the ASX Listing Rules.

PRINCIPLE 4

Safeguard Integrity in Financial Reporting
The full Board forms the Company's Audit Committee. The Board acknowledges that it does not at this stage comply with ASX recommendation 4.1 but having regard to the rapid changes in the Company's size over the second half of the financial year ended 30 June 2009, steps are in place to rectify this and appoint members to an Audit Committee.

PRINCIPLE 5

Make Timely Balanced Disclosure
The Company is committed to providing relevant up-to-date information to its shareholders and the broader investment community in accordance with the continuous disclosure requirements under the ASX Listing Rules and the Corporations Act.

The Board has authorised the Chief Financial Officer and Company Secretary as the Disclosure Officers, to ensure that information is released by the Company in a timely and accurate fashion.

To supplement the Continuous Disclosure Policy the Board has also approved Disclosure Protocols and Procedures to provide further guidance to staff on understanding and complying with the Company's continuous disclosure obligations.

PRINCIPAL 6

Respect the Right of Shareholders
The Board aims to ensure that shareholders are informed of all information necessary to assess the performance of the Company. To achieve this during 2009 the Board Shareholder Communication Policy which outlines the process through which the Company will endeavour to ensure timely and accurate information is provided equally to all shareholders

Information is communicated to Shareholders through:

- The annual report which is available to all shareholders (in both hardcopy and electronic form);
- The release to the ASX and on the Company's website, of the half yearly financial report, quarterly production and activities report and other information, including ASX releases in accordance with the Company's continuous disclosure obligations;
- Providing information on the Company's website about the Company, including the Charters that govern the Board and Board Committees, the Company's key policies, statutory reports of the last 2 years and releases to the ASX;
- The release to ASX and the Company's website of all Company presentations made during briefings conducted with analysts and institutions from time to time.

Shareholders are also encouraged to attend the AGM and use the opportunity to ask questions. Questions can be lodged prior to the meeting by completing the relevant form accompanying the notice of meeting. The Company makes every endeavour to respond to the most commonly asked questions. The external auditor attends the meeting and is available to answer questions in relation to the conduct of audit.

PRINCIPLE 7

Recognise and Manage Risk
The Company is exposed to numerous risks across its business, most of which are common to the mining industry. The Company's commitment and approach to managing these risks is outlined in the Company's Risk Management Policy and is on the Company's website.

The Board receives reporting on the control mechanisms which are designed and implemented by management to ensure that the safety, environment, legal and reputation risks faced by the Company are identified, assessed and managed.

The Board also reviews and assesses the adequacy of the Company's internal control and financial management systems and accounting and business policies. The Board is given further assurance on the Company's financial management systems through the Company's independent internal audit function.

Senior management are responsible for risk management in their respective areas of accountability. They ensure that procedures exist to monitor risks and, through observation and audit, gain assurance that affective controls are implemented and consistently applied.

The Board has recognised the need to implement a common risk management framework across the group. The Company is in the process of developing this framework and it will be rolled out during 2009. This process includes the implementation at all sites of the Company's Sustainability Standards. These are comprehensive sets of standards that provide a systematic approach to the management of Safety, Health, Environment and Community related risks.

Management Reporting and Certifications
Management reports to the Board on the material business risks faced by the Company, the effectiveness of the Company's risk management and internal control system, and the Company is management of its material business risks.

The Chief Financial Officer has declared in writing to the Board that the financial records of the Company for 2009 have been properly maintained and present a true and fair view of the Company's financial position and financial results, in accordance with the Corporations Act and the relevant accounting standards.

The reporting and control mechanisms support the written certifications given by the Chief Financial Officer to the Board annually, that the Company's financial reports are based on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

PRINCIPLE 8

Remunerate Fairly and Responsibly
The Board provides recommendations and directions for the Company's remuneration practices. The Board, as the Remuneration Committee, ensures that a significant proportion of each Senior Manager's Remuneration is linked to his or her performance and the Company's performance. Performance reviews are conducted regularly to assess the performance of Senior Managers and to determine the proportion of remuneration that will be 'at risk' for the upcoming year. For further details on this see Remuneration Report within the 2009 Annual Report.

Board Remuneration
The total annual remuneration paid to Non-Executive Directors may not exceed the limit set by the shareholders at an AGM. The remuneration of the Non-Executive Directors is fixed rather than variable.

Further details in relation to Director remuneration are set out in the Remuneration Report within the 2009 Annual Report.

1. CAPITAL STRUCTURE

Ordinary Share Capital

39,134,654 ordinary fully paid shares held by 1,422 shareholders.

Options

550,000 unlisted options held by 4 holders expiring 24 November 2010 exercisable at $1.30 each.
1,500,000 unlisted options held by 1 holder expiring 7 September 2011 exercisable at $1.50 each.

Unlisted Options do not entitle the holders to a vote in respect of that option nor participate in dividends until such time as the options are exercised and subsequently registered as an ordinary share.

2. ON-MARKET BUY-BACK

There is no current on-market buy-back

3. SUBSTANTIAL SHAREHOLDER

NAME	NUMBER OF SECURITIES	%
All-States Finance Pty Ltd	5,615,000	14.35

4. DISTRIBUTION OF SHAREHOLDERS AS AT 30 SEPTEMBER 2009

DISTRIBUTION	NUMBER OF HOLDERS OF ORDINARY FULLY PAID SHARES
1 – 1,000	666
1,001 – 5,000	425
5,001 – 10,000	104
10,001 – 100,000	151
100,001 and over	53
TOTAL HOLDERS	1,399

As at 30 September 2009, there were 1,209 fully paid ordinary shareholders holding less than a marketable parcel.

5. TWENTY LARGEST HOLDERS OF QUOTED SECURITIES AS AT 30 SEPTEMBER 2009

FULLY PAID ORDINARY SHARES	NUMBER	%
All-States Finance Pty Ltd	5,615,000	14.35
IE Properties Pty Ltd	1,719,841	4.39
Keyrate Enterprises Pty Ltd	1,400,000	3.58
Resource Development Co Pty Ltd	1,361,324	3.48
Desertfox Pty Ltd	1,350,000	3.45
Clarke Adam	1,250,000	3.19
Old Blood and Guts Pty Ltd	1,250,000	3.19
USB Nom Pty Ltd	1,215,000	3.10
Merrill Lynch Aust Nom	1,000,000	2.56
Fortis Clearing Nom Pty Ltd	950,945	2.43
Academic Growth Nom Pty Ltd	880,000	2.25
National Nom Pty Ltd	832,005	2.13
Nutsville Pty Ltd	826,291	2.11
A King & J King – AJ&JKing S/F Acc	800,000	2.04
MAK Super WA Pty Ltd	684,081	1.75
Beelong Pty Ltd	670,000	1.71
HSBC Custody Nom Aust Ltd	623,339	1.59
ANZ Nom Ltd	613,689	1.57
Semerdziev Ianaki	605,002	1.55
Maitland Trustees Ltd	557,975	1.43