Statutory Reports

For the financial year ended 31 July 2004

Directors' Report

The directors of Havilah Resources NL submit herewith the annual financial report of the company for the financial year ended 31 July 2004. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

The names and particulars of the directors of the company during or since the end of the financial year are:

Keith Robert Johnson (appointed 11 February 1997)
Christopher William Giles (appointed 11 February 1997)
Kenneth Graham Williams (appointed 15 November 2003)
Howard Graham Walker (appointed 4 December 1997 and resigned 15 November 2003)

Details of the directors are:

Keith Robert Johnson (Executive Chairman) BSc(Hons), PhD, FAusIMM, aged 57

Dr Bob Johnson, a geologist, is one of the world's leading practitioners of the application of computers to geological modelling and mine planning.

His company, Maptek Pty Ltd, is a major supplier of technical mining software with a network of integrated offices across Australia, North and South America, Africa and Europe marketing the interactive VULCAN mining system. This experience has provided a broad understanding of orebodies and of the role of 3D geometry in structural geology.

Dr Johnson, a resident of Adelaide, is a Fellow of the Australasian Institute of Mining and Metallurgy and a Member of the American Society of Mining Engineers. He is also a non-executive director of Ellex Medical Laser Systems Limited.

Christopher William Giles (Executive Technical Director) BSc(Hons), PhD, MAIG, aged 51

Dr Chris Giles is an experienced geologist having supervised exploration programmes for a variety of organisations all over the world.

During his career he has worked on exploration teams that have been directly responsible for the discovery of six operating gold mines. Prior to joining Havilah, he was a joint founder and investor in East African Gold Mines Limited, responsible for ground selection and supervising initial exploration programmes that resulted in the discovery of two substantial gold deposits in the Mara region of Tanzania, which have recently been brought into production.

Dr Giles is a resident of Adelaide and a Member of the Australian Institute of Geoscientists.

Kenneth Graham Williams (Non-executive Director) BEcon(Hons), MApplFin, aged 43

Mr Ken Williams has extensive experience in mining finance and his skills will complement the technical skills of Drs Johnson and Giles.

He has previously held roles in the treasury operations at Qantas Airways Limited and Normandy Mining Limited, before becoming Chief Financial Officer of Normandy. Until March 2003, Mr Williams was Group Executive Finance and Business Manager at Newmont Australia Limited. He currently is a director of Australian Magnesium Corporation Ltd.

Mr Williams is a resident of Adelaide and member of the Australian Institute of Company Directors and the Finance and Treasury Association.

Howard Graham Walker (Non-executive Director) BSc, ARSM, MAusIMM, aged 51

Mr Howard Walker is a mining engineer with experience in gold and basemetals in South Africa and also at the Mount Isa operations. He joined J B Were & Son in 1983 as a precious metals analyst specialising in the Australian gold industry, and became manager of their resources research team in 1987. He was appointed as a director of J B Were Corporate Services in 1990 and until his departure in 1996 was closely involved in numerous capital raisings for various resource companies. Mr Walker has been a member of the management team of Lion Selection Group Limited ("Lion") since its inception in 1997. He represented Lion on the Havilah Board and is also a Lion nominated director of Spinifex Gold Limited, Gallery Gold Limited and MPI Mines Limited.

Mr Walker is a resident of Melbourne and a member of the Australian Institute of Mining and Metallurgy.

PRINCIPAL ACTIVITIES

The principal continuing activity of the company is the exploration for gold, basemetals and other economic mineral deposits.

FINANCIAL RESULTS

The net result of operations for the year was a loss after income tax of $125,891.

DIVIDENDS

No dividends were paid or declared since the start of the financial year, and the directors do not recommend the payment of dividends in respect of the financial year.

REVIEW OF OPERATIONS

During the year the company carried out exploration on its tenements and applied for, or acquired, additional tenements with the objective of identifying gold, basemetals and other economic mineral deposits.

A Review of Operations and the Chairman's Statement are contained elsewhere in the Annual Report.

CHANGES IN STATE OF AFFAIRS

During the financial year there was no significant change in the state of affairs of the company other than that referred to in the financial statements or notes thereto.

SUBSEQUENT EVENTS

During August 2004 the directors successfully made a placement of the shortfall that occurred as a result of the rights issue. The placement raised $912,816 as the result of the issue of 3,380,801 shares at 27 cents per share. This has not been reflected in the statement of financial position for the year ended 31 July 2004. There has been no other matter or circumstance that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

ENVIRONMENTAL DEVELOPMENTS

The company carries out exploration activities on its exploration tenements in South Australia.

The company's exploration operations are subject to environmental regulations under the various laws of South Australia and the Commonwealth. While its exploration activities to date have had a low level of environmental impact, the company has adopted a best practice approach in satisfaction of the regulations of relevant government authorities.

FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the operations of the company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the company. Accordingly, this information has not been disclosed in this report.

SHARE OPTIONS

During the year options to acquire 350,000 ordinary shares in the company were granted to directors and consultants under the company's share option plan. No options were exercised or lapsed during the year. Details of the balance in directors and consultants share option plan for the year are included in Note 22 in the financial report.

During and since the end of the financial year 50,000 share options were granted to the following directors of the company:

Directors	*Number of options granted*	*Issuing entity*	*Number of shares under options*
K G Williams	50,000	Havilah Resources NL	50,000

During the year options to acquire 1,500,000 ordinary shares in the company were granted to Lynch Mining Pty Ltd. Details of the balances in the other share option plan for the year are included in Note 22 in the financial report.

DIRECTORS' INTERESTS

The following table sets out each director's relevant interest in shares and options of the company or a related body corporate as at the date of this report.

Directors	*Fully Paid Ordinary Shares*	*Share options*
K R Johnson	2,676,570	3,000,000
C W Giles	8,119,264	3,000,000
K G Williams	148,000	50,000

DIRECTORS' AND EXECUTIVE REMUNERATION

The company has two executive directors and one non-executive director. There are no specified executives of the company. Due to its size, the company does not have a remuneration committee. Director's remuneration is determined by the Board in line with industry practice and what is reasonable for the company.

The directors were paid in the form of consulting fees to nominated companies in which the director has a controlling interest.

Remuneration packages contain the following key elements:

a) Primary benefits – consulting fees

b) Equity – share options granted under the share option plan as disclosed in Note 22 to the financial statements

The following table discloses the remuneration of the directors of the company:

2004	*Primary Consulting Fees* *$*	*Equity Options* *$*	*Total* *$*
K R Johnson	106,600*		106,600
C W Giles	141,600*		141,600
K G Williams	12,500*	8,807	21,307
H G Walker	5,000**		5,000
Total	265,700	8,807	274,507

The above consulting fees are actual costs to the company.

* *Consulting fees paid to nominated company in which the director has a controlling interest.*

** *Consulting fees paid directly to Selection (LSG) Management Pty Limited, a company in which the director has an interest.*

The value for options issued has been calculated using the Black-Scholes model.

MEETINGS OF DIRECTORS

The following table sets out the number of directors' meetings held during the financial year while the person was a director and the number of meetings attended by each director (while they were a director).

Name	*Held*	*Attended*
K R Johnson	8	8
C W Giles	8	8
K G Williams	6	6
H G Walker	2	2

Due to the company's size and activities the company does not have audit or remuneration committees.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year the Company paid a premium in respect of a contract insuring the directors and officers of the Company against a liability incurred as such by a director or officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate, against a liability, incurred as such an officer or auditor.

Signed at Adelaide this 21st day of October 2004 in accordance with a resolution of the directors.

K R Johnson

K R Johnson
Chairman

HAVILAH RESOURCES NL
ABN 39 077 435 520

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE FINANCIAL YEAR ENDED 31 JULY 2004

	Note	2004 $	2003 $
Revenue from ordinary activities	2	206,278	247,672
Depreciation expense		(45,326)	(38,227)
Amortisation expense		(8,321)	(7,026)
Travel expense		(2,167)	(2,298)
Insurance expense		(24,132)	(4,514)
Management fees		(129,375)	(155,950)
Consultant fees		(17,500)	-
Legal fees		(12,056)	(1,381)
Audit fees		(11,000)	(11,130)
ASX listing fees		(21,688)	(8,080)
Shareholder administration fees		(31,311)	(14,298)
Finance lease charges		(2,278)	(2,296)
Printing expense		(5,829)	(6,594)
Computer charges		(12,410)	(11,700)
Other expenses from ordinary activities		(8,776)	(10,184)
Loss from ordinary activities before income tax expense		(125,891)	(26,006)
Income tax expense relating to ordinary activities	3	-	-
Net loss from ordinary activities after related income tax expense		(125,891)	(26,006)
Total decrease in equity other than those resulting from transactions with owners as owners		(125,891)	(26,006)
Earnings per share			
- Basic (cents per share) - loss	17	(0.222)	(0.047)
- Diluted (cents per share) - loss	17	(0.222)	(0.047)

The above statement should be read in conjunction with the accompanying notes.

HAVILAH RESOURCES NL
ABN 39 077 435 520

STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2004

	Note	2004 $	2003 $
Current Assets			
Cash and deposits	4	4,333,814	4,650,915
Other assets	5	63,521	47,540
Total Current Assets		4,397,335	4,698,455
Non-Current Assets			
Exploration and evaluation expenditure	6	2,399,869	756,847
Property, plant and equipment	7	91,670	96,774
Total Non-Current Assets		2,491,539	853,621
TOTAL ASSETS		6,888,874	5,552,076
Current Liabilities			
Payables	8	303,079	71,428
Interest bearing liability	9	7,964	7,414
Total Current Liabilities		311,043	78,842
Non-Current Liabilities			
Interest bearing liability	9	19,639	27,601
Total Non-Current Liabilities		19,639	27,601
TOTAL LIABILITIES		330,682	106,443
NET ASSETS		6,558,192	5,445,633
Equity			
Contributed equity	10	8,871,998	7,633,548
Accumulated losses	11	(2,313,806)	(2,187,915)
TOTAL EQUITY		6,558,192	5,445,633

The above statement should be read in conjunction with the accompanying notes.

HAVILAH RESOURCES NL
ABN 39 077 435 520

STATEMENT OF CASH FLOWS
AS AT 31 JULY 2004

	Note	2004 $	2003 $
Cash flow from operating activities			
Interest received		203,073	293,933
Payments to suppliers		(292,195)	(209,915)
Interest paid		(2,278)	(2,296)
Other receipts		3,205	-
Net cash (used in) / provided by operating activities	21(b)	(88,195)	81,722
Cash flow from investing activities			
Payments for exploration and evaluation expenditure		(1,133,901)	(483,282)
Payments for plant and equipment		(48,543)	(20,366)
Proceeds from sale of plant and equipment		-	14,000
Net cash used in investing activities		(1,182,444)	(489,648)
Cash flow from financing activities			
Proceeds from share issue		992,372	-
Share issue expenses		(31,422)	-
Finance lease repayments		(7,412)	(6,588)
Net cash provided by / (used in) financing activities		953,538	(6,588)
Net decrease in cash		(317,101)	(414,514)
Cash at beginning of financial year		4,650,915	5,065,429
Cash at end of financial year	21(a)	4,333,814	4,650,915

The above statement should be read in conjunction with the accompanying notes.

1 SUMMARY OF ACCOUNTING POLICIES

FINANCIAL REPORTING FRAMEWORK

This financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

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

SIGNIFICANT ACCOUNTING POLICIES

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation of the financial report:

(a) Acquisition of Assets

Assets acquired are recognised at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

(b) Depreciation

Plant and equipment are depreciated at rates based upon their useful lives. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over the expected useful life. The following estimated useful lives are used in the calculation of depreciation:

Plant and equipment:	3 to 5 years
Equipment under finance lease:	4 years

(c) Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditures in relation to separate areas of interest for which rights of tenure are current, are capitalised in the year in which they are incurred and are carried at cost. The cost of acquisition of an area of interest and exploration expenditure relating to that area of interest is carried forward as an asset in the statement of financial position where:

(i) it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest or by its sale; or
(ii) exploration activities are continuing in an area of interest and activities have not yet reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable ore reserves.

Should a project or an area of interest be abandoned, the expenditure will be written off in the year in which the decision is made. Where a decision is made to proceed with development, accumulated expenditure will be amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

(d) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
(ii) for receivables and payables which are recognised inclusive of GST, the net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

(e) Income Tax

Tax effect accounting principles are followed whereby income tax expense is matched with the accounting results after allowing for permanent differences. The future income tax benefit relating to income tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

(f) Interests in Joint Venture Operations

The company's proportionate interests in the assets, liabilities, revenue and expenses of joint venture operations are included in the financial statements under the appropriate headings. Details of the company's joint venture interests are shown in Note 15.

(g) Receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

(h) Recoverable Amount

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected cash flows have not been discounted to their present value.

(i) Revenue Recognition

Disposal of Assets:
Revenue from the disposal of assets is recognised when the company has passed control of the asset to the buyer.

Interest Revenue:
Interest revenue is recognised on an accrual basis.

(j) Accounts Payable

Trade payables and other accounts payable are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services.

(k) Provisions

Provisions are recognised when the company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

(l) Leased Assets

Leased assets classified as finance leases are recognised as assets. The amount initially brought to account is the present value of minimum lease payments.

A finance lease is one which effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased asset are consumed.

		2004	2003
2	**REVENUE FROM ORDINARY ACTIVITIES**	**$**	**$**
	(a) Operating revenue:		
	Interest - other entities	203,073	233,672
	Other income	3,205	-
		206,278	233,672
	(b) Non operating revenue:		
	Proceeds from sale of plant and equipment	-	14,000
		206,278	247,672
3	**INCOME TAX**		
	(a) Prima facie income tax expense on pre tax accounting loss reconciles to income tax expense in the financial statements as follows:		
	Loss from ordinary activities	(125,891)	(26,006)
	Income tax benefit calculated at 30%	(37,767)	(7,801)
	Permanent differences:		
	Legal fees	3,627	414
	Share issues costs	(29,788)	(29,788)
	Timing differences and tax losses not brought to account as future income tax benefits	63,928	37,715
	Income tax attributable to loss from ordinary activities	-	-
	(b) Net future income tax benefits not brought to account as assets:		
	Tax losses - revenue	1,223,782	831,551
	Timing differences	(550,238)	(222,074)
		673,544	609,477

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

(a) assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;

(b) conditions for deductibility imposed by the law are complied with; and

(c) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

4	**CURRENT ASSETS - CASH**		
	Cash on hand	3	3
	Cash at bank	126,932	143,330
	Cash on deposit	4,206,879	4,507,582
		4,333,814	4,650,915
5	**CURRENT ASSETS - OTHER**		
	Prepaid expenses	32,696	13,937
	GST refundable	30,825	33,603
		63,521	47,540

		2004 $	2003 $
6	**NON-CURRENT ASSETS - EXPLORATION AND EVALUATION EXPENDITURE**		
	Cost brought forward	756,847	260,109
	Expenditure incurred during the year	1,643,022	496,738
	Cost carried forward	2,399,869	756,847

		Plant and Equipment 2004 $	Equipment under finance lease 2004 $	Total 2004 $
7	**NON-CURRENT ASSETS - PLANT AND EQUIPMENT**			
	Gross carrying amount at cost			
	Opening balance	123,674	41,603	165,277
	Additions	48,543	-	48,543
	Disposals	-	-	-
	Closing balance	172,217	41,603	213,820
	Accumulated depreciation/amortisation			
	Opening balance	61,477	7,026	68,503
	Depreciation/amortisation for the year	45,326	8,321	53,647
	Disposals	-	-	-
	Closing balance	106,803	15,347	122,150
	Net book value			
	As at 31 July 2003	62,197	34,577	96,774
	As at 31 July 2004	65,414	26,256	91,760

		2004 $	2003 $
8	**CURRENT LIABILITIES - PAYABLES**		
	Trade payables	299,329	67,678
	Accruals	3,750	3,750
		303,079	71,428
9	**INTEREST BEARING LIABILITIES**		
	Secured current finance lease liability	7,964	7,414
	Secured non-current finance lease liability	19,639	27,601

The above finance lease liabilities are secured by the assets leased, the current market value of which exceeds the value of the finance lease liability.

10 CONTRIBUTED EQUITY

	2004		2003	
Issued Share Capital	***Number***	**$**	***Number***	**$**
Balance at beginning of the financial year	54,950,020	7,633,548	54,950,020	7,633,548
Issue of shares to:				
Lynch Mining Pty Ltd at 18.5c	1,500,000	277,500	-	-
Issue of shares pursuant				
to Prospectus dated 7 April 2004 at 27c	3,675,452	992,372	-	-
Costs associated with the issue of shares		(31,422)	-	-
Balance at end of the financial year	60,125,472	8,871,998	54,950,020	7,633,548

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

At the company's annual general meeting held on 19 December 2003, shareholders approved the issue on 8 October 2003 to Lynch Mining Pty Ltd of 1.5 million fully paid ordinary shares and 1.5 million options to acquire fully paid ordinary shares in the Company for the transfer by Lynch Mining Pty Ltd to the Company of its interest in 70% of Exploration Licences in the Curnamona Craton of South Australia and associated mining data.

11 ACCUMULATED LOSSES

	2004 $	2003 $
Balance at the beginning of the financial year	(2,187,915)	(2,161,909)
Net loss	(125,891)	(26,006)
Balance at the end of the financial year	(2,313,806)	(2,187,915)

12 REMUNERATION OF DIRECTORS AND EXECUTIVES

The specified directors of Havilah Resources NL during the year were:

Keith Robert Johnson (Executive Chairman)

Christopher William Giles (Executive Technical Director)

Kenneth Graham Williams (Non-executive Director)

Howard Graham Walker (Non-executive Director)

There were no specified executives of Havilah Resources NL during the year.

Directors' remuneration packages are reviewed by the Board of Directors and determined with due regard to current market rates and are benchmarked against comparable industry salaries, adjusted by a performance factor to reflect changes in the performance of the economic entity.

2004	Primary Consulting Fees $	Equity Options $	Total $
K R Johnson	106,600*	-	106,600
C W Giles	141,600*	-	141,600
K G Williams	12,500*	8,807	21,307
H G Walker	5,000**	-	5,000
Total	265,700	8,807	274,507

The above consulting fees are actual costs to the company.

* *Consulting fees paid to nominated company in which the director has a controlling interest*
** *Consulting fees paid directly to Selection (LSG) Management Pty Limited, a company in which the director has an interest*

The value for options has been calculated using the Black-Scholes model.

13 REMUNERATION OF AUDITOR

	2004 $	2003 $
Auditing the financial report	11,000	11,130

14 RELATED PARTY DISCLOSURES

a) Equity interests in related parties

Equity interests in joint ventures
Details of interests in joint ventures are disclosed in Note 15 to the financial statements

b) Directors' remuneration

Details of directors' remuneration are disclosed in Note 12 to the financial statements

c) Transactions with specified directors

During the financial year, specified director related entities provided administration, drilling services and assaying plant to the company on normal commercial terms and conditions totalling $615,355 (2003 $299,573). Details are set out below:

Director	Type of Service	Amount $	Terms and Conditions
K R Johnson	Administration	138,000	$11,500 per month for the provision of office space, general administration and accounting services
K R Johnson	Drilling plant hire	414,517	Drilling services are charged at various rates per metre ($16.50 to $40.00) and various hourly rates ($60 to $340)
K R Johnson	Construction of alluvial test plant	25,403	Actual cost of materials plus 180 hours of labour at $45.00 per hour
K R Johnson	Administration	25,735	Preparation of annual report, prospectus and other publications at hourly rates varying from $75 to $130
K R Johnson	Maintenance for Vulcan software	11,700	Yearly charge being 15% of original purchase price

d) Director equity holdings

Fully paid ordinary shares issued by Havilah Resources NL:

Directors	Balance at 1 August 2003 *Number*	Issued pursuant to the rights issue of 7 April 2004 *Number*	Net other changes *Number*	Balance at 31 July 2004 *Number*	Balance held nominally *Number*
K R Johnson	2,288,501	288,064	26,005	2,602,570	-
C W Giles	7,039,003	896,585	133,676	8,069,264	-
K G Williams	-	-	-	-	-

Options issued by Havilah Resources NL:

Directors	Balance at 1 August 2003 *Number*	Issued during the year *Number*	Balance at 31 July 2003 *Number*	Balance held nominally *Number*
K R Johnson	3,000,000	-	3,000,000	-
C W Giles	3,000,000	-	3,000,000	-
K G Williams	-	50,000	50,000	-

15 JOINT VENTURE OPERATIONS

The company's interests in unincorporated joint venture operations at 31 July 2004 are as follows:

	2004	2003
Sandstone joint venture (EL 2239)	7.8%	7.8%
Benagerie joint venture (EL 2812, EL 2664, EL 2878, EL 3151)	70%	-

The above joint ventures are only involved in exploration activities.
The amount included in exploration and evaluation expenditure (Note 6) includes $1,163,678 (2003: $3,364) relating to the above joint venture.

16 COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

(a) Capital Expenditure Commitments

		2004 $	2003 $
Plant and equipment	Not longer than one year	-	25,403
Exploration tenements	Not longer than one year	-	250,000

(b) Exploration Expenditure Commitments

The company has certain obligations to perform exploration work and expend minimum amounts of money on such works on mineral exploration tenements.

These obligations will vary from time to time, subject to statutory approval. The terms of current and future joint ventures, the grant or relinquishment of licenses, and changes to license areas at renewal or expiry, will alter the expenditure commitments of the company.

Total expenditure commitments at balance date in respect of minimum expenditure requirements not provided for in the financial statements, excluding commitments where a joint venture party has agreed to meet the company's obligations, are approximately:

	2004 $	2003 $
No later than one year	1,300,000	565,000
Later than one year but not later than two years	1,450,000	1,030,000
Later than two years but not later than five years	2,500,000	2,500,000
Total	5,250,000	4,095,000

(c) Management and Service Agreements

The company has entered into consultancy and service agreements with related entities of K R Johnson and C W Giles. Should the agreements be terminated at an earlier date, a contingency exists for the contracted amount payable to the end of the term. As at 31 July 2004, the company had a contingency in relation to these agreements of $128,125 (2003: $433,667).

Details of management and service agreements outstanding as at 31 July 2004 are set out below. The directors may terminate the agreement by giving one month's notice.

Director	Type	Details	Term
K R Johnson	Consultancy	Minimum of 750 hours per year at $85,000 per annum	Three years from 18 March 2002 with an option for the company to extend the term for a further two years
C W Giles	Consultancy	Minimum of 1600 hours per year at $120,000 per annum	Three years from 18 March 2002 with an option for the company to extend the term for a further two years

(d) Native Title

Native title claims exist over some tenements in South Australia in which Havilah Resources NL has interests. The company is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the company or its projects.

17 EARNINGS PER SHARE

	2004 cents per share	2003 cents per share
Basic earnings per share	(0.222)	(0.047)
Diluted earnings per share	(0.222)	(0.047)

Basic and Diluted Earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	2004 $	2003 $
Earnings	(125,891)	(26,006)

Earnings used in the calculation of basic and diluted earnings per share agrees directly to net loss in the statement of financial performance.

	2004 *Number*	2003 *Number*
Weighted average number of ordinary shares	56,814,530	54,950,020

The number of ordinary shares used in the calculation of diluted earnings per share is the same as the number used in the calculation of basic earnings per share, as options are not considered dilutive. Details of the share option plan are set out in Note 22.

18 FINANCIAL INSTRUMENTS

(a) Significant Accounting Policies

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 1 to the financial statements.

(b) Forward Foreign Currency Contracts

As at 31 July 2004 the Company does not have any outstanding forward foreign currency contracts.

(c) Forward Interest Rate Contracts

As at 31 July 2004 the Company does not have any outstanding forward interest rate contracts.

(d) Interest Rate Risk

The following table details the exposure to interest risk at the reporting date. All other financial assets and liabilities of the Company are non interest bearing.

Fixed Interest Rate Maturity				
	Average interest rate	Less than 1 year $	1 to 5 years $	Total $
2004 Financial Assets				
Cash at bank	3.25%	126,932	-	126,932
Term deposits	5.00%	4,206,879	-	4,206,879
Total		4,333,811	-	4,333,811
Financial Liabilities				
Finance lease liability	7.196%	7,964	19,639	27,603
Total		7,964	19,639	27,603
2003 Financial Assets				
Cash	3.25%	143,330	-	143,330
Term deposits	4.60%	4,507,582	-	4,507,582
Total		4,650,912	-	4,650,912
Financial Liabilities				
Finance lease liability	7.196%	7,414	27,601	35,015
Total		7,414	27,601	35,015

(e) Credit Risk

The Company holds cash and term deposits with the National Australia Bank Ltd, therefore it is considered that the Company does not have any significant exposure to credit risk.

(f) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

19 SEGMENT INFORMATION

The Company operates in the mineral exploration industry in South Australia.

20 COMPANY STATUS

Havilah Resources NL is a no liability company incorporated and operating in Australia.

21 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash	**2004 $**	**2003 $**
Cash on hand	3	3
Cash at bank	126,932	143,330
Cash on deposit	4,206,879	4,507,582
	4,333,814	4,650,915

(b) Reconciliation of operating loss after income tax to net cash (used in)/provided by operating activities		
Net loss	(125,891)	(26,006)
Depreciation and amortisation	53,647	45,253
Profit on sale of plant and equipment	-	(7,118)
Increase/(decrease) in payables	30	40,542
(Increase)/decrease in other current assets	(15,981)	29,051
Net cash from operating activities	(88,195)	81,722

(c) Non cash financing and investing activities

During the year the company issued 1,500,000 fully paid ordinary shares at a deemed issue price of 18.5 cents, being the market price of the company's shares at date of issue, for an exploration tenement.

During the year ended 31 July 2003 the company acquired plant and equipment under finance leases to the value of $41,603.

The above transactions are not reflected in the statement of cash flows.

22 SHARE OPTION PLANS

(a) Directors and consultants share option plan

The company has an ownership based remuneration plan for directors and consultants. In accordance with the provisions of the plan, as approved by shareholders, at an annual general meeting, directors may issue options to purchase shares in the company to directors and consultants at an issue price determined by the market price of ordinary shares at the time the option is granted. The share options are not listed, carry no rights to dividends and no voting rights.

In accordance with the terms of the Plan, options may be exercised as follows:

- January 2002 series: at any time from the date of their issue to the date of their expiry.
- October 2003 series: one fifth of the options granted can be exercised in any one year and options not exercised during a particular year will accumulate and may be exercised in subsequent years.
- November 2003 series: at any time from the date of their issue to the date of expiry.

The difference between the total market value of options issued during a financial year, at the date of issue, and the total amount received from directors and consultants, is not recognised in the financial statements. Consideration received on the exercise of options is recognised in contributed equity. During the financial year $nil (2003: $nil) was recognised in contributed equity arising from the exercise of options.

Share Option Plan	2004 Number	2003 Number
Balance at beginning of the year (i)	6,000,000	6,000,000
Granted during the financial year (ii)	350,000	-
Exercised during the financial year	-	-
Lapsed during the financial year	-	-
Balance at end of the financial year (iii)	6,350,000	6,000,000

(i) Balance at the beginning of financial year
2004

Option Series	Number	Grant Date	Expiry Date	Exercise Price
January 2002	6,000,000	25 January 2002	25 January 2007	$0.25

(ii) Granted during the financial year
2004

Option Series	Number	Grant Date	Expiry Date	Exercise Price	Fair Value Received
October 2003 November 2003	300,000 50,000	8 October 2003 30 November 2003	8 October 2008 30 November 2008	$0.25 $0.40	- -

(iii) Balance at the end of the financial year
2004

Option Series	Number	Grant Date	Expiry Date	Exercise Price
January 2002 October 2003 November 2003	6,000,000 300,000 50,000	25 January 2002 8 October 2003 30 November 2003	25 January 2007 8 October 2008 30 November 2008	$0.25 $0.25 $0.40

2003

Option Series	Number	Grant Date	Expiry Date	Exercise Price
January 2002	6,000,000	25 January 2002	25 January 2007	$0.25

(b) Other share option plan

At the company's annual general meeting held on 19 December 2003, shareholders approved the issue to Lynch Mining Pty Ltd of 1,500,000 options to acquire fully paid ordinary shares in the company.

The options are not listed, carry no rights to dividends and no voting rights. The options may be exercised at any time from the date of issue to the date of their expiry.

The difference between the market value of options issued at date of issue and the total amount received is not recognised in the financial statement. Consideration received on the exercise of options is recognised in contributed equity.

Share Option Plan	2004 Number	2003 Number
Balance at the beginning of the year	-	-
Granted during the year (i)	1,500,000	-
Exercised during the year	-	-
Lapsed during the year	-	-
Balance at the end of the financial year (ii)	1,500,000	-

(i) Granted during the financial year
2004

Option Series	Number	Grant Date	Expiry Date	Exercise Price
October 2003	1,500,000	8 October 2003	8 October 2008	$0.20

(ii) Balance at the end of the financial year
2004

Option Series	Number	Grant Date	Expiry Date	Exercise Price
October 2003	1,500,000	8 October 2003	8 October 2008	$0.20

23 LEASES

Finance Leases

(a) Leasing arrangements

Finance leases relate to plant and equipment with a lease term of four years. The company has an option to purchase the equipment for a nominal amount at the conclusion of the lease.

	Minimum Future Lease Payments		Present Value of Minimum Future Lease Payments	
	2004 $	2003 $	2004 $	2003 $
No later than 1 year	9,690	9,690	7,964	7,414
Later than 1 year and not later than 5 years	20,899	30,589	19,639	27,601
Later than 5 years	-	-	-	-
Minimum lease payments	30,589	40,279	27,603	35,015
Less future finance charges	2,986	5,264	-	-
Present value of minimum lease payments	27,603	35,015	27,603	35,015
Included in the financial statements as:				
Current interest bearing liabilities			7,964	7,414
Non current interest bearing liabilities			19,639	27,601
Principal outstanding as at 31 July 2004			27,603	35,015

24 SALE OF ASSETS

Sale of assets in the ordinary course of business has given rise to the following profits and losses:

	2004 $	2003 $
Net Profit		
Plant and equipment	-	7,118

25 SUBSEQUENT EVENTS

During August 2004 the directors successfully made a placement of the shortfall that occurred as a result of the rights issue. The placement raised $912,816 as the result of the issue of 3,380,801 shares at 27 cents per share.

26 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENT TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The company will be required to prepare financial statements that comply with Australian equivalents to International Financial Reporting Standards ("A-IFRS") for annual reporting periods beginning on or after 1 January 2005. Accordingly, the company's first half-year report prepared under A-IFRS will be for the half-year reporting period ending 31 January 2006, and its first annual financial report prepared under A-IFRS will be for the year ending 31 July 2006.

The company has recently commenced the process of evaluating the high level impact of A-IFRS on the entity and consequently has not yet finalised how they are going to manage the transition to A-IFRS. The directors expect to complete the impact study and commence a plan to prepare the company to be A-IFRS compliant shortly.

While no decision has yet been made as to the policy alternatives to be applied or the extent to which it will affect the company, the directors have identified the following as being the key accounting policy differences expected to arise on transitioning to A-IFRS. This does not represent an exhaustive list of the differences that will arise, and further analysis may change the company's assessment of the importance or otherwise of the various differences.

(a) First-time adoption of A-IFRS

On first-time adoption of A-IFRS, the company will be required to restate its comparative balance sheet such that the comparative balances presented comply with the requirements specified in the A-IFRS. That is, the balances that will be presented in the financial report for the half year ending 31 January 2005 and year ending 31 July 2005 may not be the balances that will be presented as comparative numbers in the financial report for the following half year, and year end, as a result of the requirement to retrospectively apply the A-IFRS. In addition, certain assets and liabilities may not qualify for recognition under A-IFRS, and will need to be derecognised. Required adjustments on first-time adoption are to be made against opening accumulated losses (1 August 2005).

(b) Capitalised exploration and development expenditure

An A-IFRS on extractive industries has not yet been issued. Consequently, the company is unable to determine the change in policies and related impacts, if any, that may arise on adoption of A-IFRS on its extractive-related operations and balances at reporting date.

(c) Impairment testing

Under A-IFRS all assets will be subject to impairment testing. The company will be required to test the values attributed to current and non-current assets where impairment is indicated. Such testing will require the company to identify the smallest group of assets generating independent cash inflows, called cash generating units ("CGUs"), and determine the recoverable amount for each CGU. Recoverable amounts are determined using the higher of either value in use calculated using reliable estimates of future discounted cash flows, or fair values. Where the carrying amount of a CGU exceeds the recoverable amount, an impairment loss exists which will be recognised in the statement of financial performance. The company has not yet determined the impact, if any, of any impairment which may be required. It is not practicable to determine the impact of the change in accounting policy for future financial reports, as any impairment or reversal thereof will be affected by future conditions.

(d) Income tax

The company currently recognises deferred taxes by accounting for the differences between accounting profits and taxable income, which give rise to 'permanent' and 'timing' differences. Under A-IFRS, deferred taxes are measured by reference to the 'temporary differences' determined as the difference between the carrying amount and tax base of assets and liabilities recognised in the balance sheet. Because A-IFRS has a wider scope than the company's current accounting policies, it is likely that the amount of deferred taxes recognised in the balance sheet will increase.

Adjustments to the recognised amounts of deferred taxes will also result as a consequence of adjustments to the carrying amounts of assets and liabilities resulting from the adoption of other A-IFRS. The likely impact of these changes on deferred tax balances has not currently been determined.

(e) Financial assets and financial liabilities

Under current Australian GAAP, financial assets and financial liabilities are recognised at cost, at fair value, or at net market value. On adoption of A-IFRS, the company will be required to classify these financial instruments into various specified categories. The classification of the instrument will affect the instrument's subsequent measurement – at amortised cost using the effective interest rate method, fair value with movements recognised through equity or fair value recognised through the profit and loss. The company is evaluating the different options available, but has not made any determination at reporting date of the accounting to be adopted, and consequently, the impact of the change on the financial statements cannot yet be quantified.

(f) Share-based payments

Share-based compensation forms part of the remuneration of directors and consultants of the company. The company does not recognise an expense for any share-based compensation granted. Under A-IFRS, the Company will be required to recognise an expense for such share-based compensation. Share-based compensation will be measured at the fair value of the share options determined at grant date. The company will not retrospectively recognise share-based payments vested before 1 February 2005 as permitted under A-IFRS first time adoption. Post 1 February 2005, for any share-based compensation granted the company will recognise an expense and a corresponding increase in share capital.

Directors' Declaration

The Directors declare that:

(a) The attached financial statements and notes thereto comply with Accounting Standards;

(b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Company;

(c) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and

(d) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to Section 295(5) of the Corporations Act 2001.

On behalf of the Directors

K R Johnson
Director

Adelaide, South Australia

21 October 2004

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF HAVILAH RESOURCES NL

Scope

The financial report and directors' responsibility
The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Havilah Resources NL, for the financial year ended 31 July 2004 as set out on pages 18 to 33.

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

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

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

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

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

The audit opinion expressed in this report has been formed on the above basis.

Independence

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

Audit Opinion

In our opinion, the financial report of Havilah Resources NL is in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's financial position as at 31 July 2004 and of its performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

T G G Biggs
Partner
Chartered Accountants
Brisbane, 21 October 2004