This section summarises the corporate governance policies and procedures of Havilah. During the year the Board reviewed its corporate governance policies and practices. As a result some of the company's corporate governance practices and procedures set out below were amended or adopted during the year.

The Board of Directors of Havilah aims to achieve the highest standards of corporate governance and has established corporate governance policies and procedures consistent with the ASX Corporate Governance Council's publication "Principles of Good Corporate Governance and Best Practice Recommendations".

Havilah's board composition, the small number of directors and the governance structure reflect the company's position as a small capitalisation junior mineral explorer currently with no source of regular income. In Havilah's case its mineral tenements and any mineral resources that it discovers are of greater value and risk than purely financial assets. As a result the Board believes that not all of the recommendations are appropriate to Havilah. Any departure from the recommendations is outlined in this section.

BOARD CHARTER

The Board of Directors monitors the progress and performance of Havilah on behalf of its shareholders, by whom it is elected and to whom it is accountable. The Board Charter, which is summarised below, seeks to ensure that the Board discharges its responsibilities in an effective and capable manner.

Board Responsibilities

The Board's primary responsibility is to satisfy the expectations and be a custodian for the interests of its shareholders. In addition, the Board seeks to fulfil its broader ethical and statutory obligations, and ensure that Havilah operates in accordance with these standards. The Board is also responsible for identifying areas of risk and opportunity, and responding appropriately.

The responsibility for the administration and functioning of Havilah is delegated by the Board to a company owned by the executive Chairman, which has a management contract with the company, and a company owned by the Technical Director, which has a consulting contract with the company. By monitoring the performance of these contracts, the Board ensures that Havilah is appropriately administered and managed.

Through regular and frequent contact between the Board and management and by monitoring management's activities, reports and performance, the Board ensures that management is aware of and responsive to the risks, opportunities and priorities recognised by the Board.

The Board guides the composition of a strategic planning process which adheres to the interests and expectations of Havilah's shareholders, and develops policies that manage risks and opportunities, and monitors company progress, expenditure, significant business investments and transactions and key performance indicators.

Havilah's Board retains the power to make all investment decisions.

Composition of the Board

It is a policy of Havilah that the Board comprises individuals with a range of knowledge, skills and experience that are appropriate to its activities and objectives. Havilah's three current directors are professionally qualified and have pertinent skills in mineral exploration, mineral resource/reserve evaluation, mine planning and development, financial risk management and project financing, which are directly relevant to the company's activities.

The number of directors must not be less than three. Currently, the Board is comprised of Dr Bob Johnson, the executive Chairman, who is engaged via a consulting contract with a company associated with him; Dr Chris Giles, the executive Technical Director, who is engaged via a consulting contract with a company associated with him; and Mr Ken Williams who is an independent non-executive Director. Information on the directors is contained on page 13 of this annual report. The Board considers that the current composition of the Board is ideal for a company of Havilah's size, having regard to the mix of skills and expertise, and capacity for efficient decision making.

Directors can seek independent advice at the expense of the company, and have access to the Company Secretary at all times.

Independence

Havilah does not have a majority of independent directors and maintains that to add two further directors to achieve this will mean significant additional expense and make for less efficient decision making, which would be to the detriment of a very small mineral exploration company such as Havilah. The Chairman is not an independent director, and again to achieve this for a small company such as Havilah would make for an inefficient Board and management. It is the Board's contention that all directors, whether independent or not, can and should act objectively at all times in the best interests of the company and its shareholders.

Havilah's policy is that any director must abstain from discussions and voting on any matters with which that director is associated and therefore potentially conflicted and this policy is strictly observed.

Nomination Committee

In view of the small size of Havilah's Board, the Board in its entirety acts, effectively, as a Nominations Committee. As such, the Board believes that a Nomination Committee is unnecessary for Havilah.

Nomination, Appointment and Retirement of Directors

If a vacancy occurs or if it is considered that the Board would benefit from the services and skills of an additional director, the Board selects a panel of candidates with appropriate expertise and experience, and appoints the most suitable candidate. Any such appointee would be required under the constitution to retire at the next annual general meeting and is eligible for election by shareholders at that meeting.

For directors retiring by rotation, the Board assesses that director before recommending re-election.

Compensation Arrangements and Remuneration Committee

The remuneration of the Non-executive Director of Havilah is reviewed by the Board and approved by the other directors. The Technical Director and Chairman have consulting contracts with Havilah via their respective associated companies on industry standard commercial terms, which are approved by the non-associated directors.

The Board believes that the small size of the Board and the fact that remuneration matters are monitored by the Board in its entirety, having regard to industry standard norms makes a separate Remuneration Committee unnecessary and inappropriate.

The maximum aggregate annual remuneration which may be paid to non-executive Directors is currently $100,000. This cannot be increased without approval of Havilah's shareholders.

Information on remuneration of Directors is contained on page 17 of this annual report.

D&O Insurance and Indemnity

The company maintains a Directors and Officers and Company Reimbursement Insurance Policy.

Performance Evaluation

The small size of the Board and the high risk nature of the company's exploration activities make the establishment of a formal performance evaluation strategy unnecessary. Performance evaluation is a discretionary matter for consideration by the entire Board and in the normal course of events the Board will review performance of the management, Directors and the Board as a whole.

LOCAL INDIGENOUS COMMUNITIES

Havilah has a policy that respects the culture and rights of all indigenous peoples with whom it comes into contact, and will consider assistance to any such communities that are deprived with community benefit programmes. This assistance will normally focus on health, education, training and employment of indigenous people who are directly affected by Havilah's exploration and development projects.

ENVIRONMENT

Havilah has a policy of best practice management of the environmental impacts of exploration, development and mining, in accordance with the prevailing regulations.

BUSINESS RISKS

Havilah is involved in the high risk business of mineral exploration in which successful outcomes are the exception. Consequently the company's major business risk is that its capital will be exhausted prior to making a successful discovery that can be converted into a profitable mine.

The Board aims to reduce this investment risk by extremely judicious selection of projects and careful drilling of only the best targets, and in this way Havilah is able to maximise the chances of success while minimising expenditure.

Proposed exploration programmes and budgets are normally submitted to the Board each six months for consideration and approval. At each meeting of the Board, the Technical Director presents a summary of exploration activities and estimated expenditures, which allows the Board to regularly monitor and assess the company's performance against approved programmes and budgets.

CODE OF CONDUCT

The Board acknowledges the need for the highest standards of corporate governance practice and ethical conduct by all directors, consultants and contractors of Havilah. The Board strives to provide leadership in this regard so that a culture of honesty and integrity is engendered in the company. In this regard it is expected that all Havilah directors, consultants and contractors will preserve the highest standards of integrity, accountability and honesty in their dealings, operating in strict adherence to statutory and ethical obligations. Given that Havilah has few full time employees and only a handful of consultants and contractors employed at various times, mentoring and monitoring compliance is straightforward.

SECURITIES TRADING POLICY

As a result of the nature of Havilah's exploration activities, directors, consultants and contractors of Havilah will sometimes be in possession of sensitive information that could be classified as "inside" knowledge. They may also be aware of potential transactions between Havilah and other companies.

Havilah has adopted a code of conduct that prohibits its directors, consultants and contractors from either buying or selling any shares in the company while they are in possession of any potentially market sensitive information prior to its public release to the ASX. This is designed to specifically prevent any insider trading by any director, consultant or contractor of Havilah.

Supervisory and Compliance Procedures

Havilah has procedures to ensure all directors, consultants and contractors of Havilah are familiar with these policies, that they are reviewed on a regular basis and updated as necessary.

The trading activity of each director, consultant and contractor is reviewed on a monthly basis by monitoring share movement reports.

AUDIT COMMITTEE

Owing to its small size and limited number of directors, Havilah has not formed an audit committee. Havilah's accounts are relatively simple and can be effectively monitored via trial balances, which are compiled monthly by the Company Secretary, who is a CPA. The Board has established internal controls, whereby all invoices must be approved by one or more non-associated directors before payment by the Company Secretary. Large sums of money cannot be paid or transferred without signature by two persons including the Company Secretary, the Chairman and/or the Technical Director.

The Board considers that ongoing monitoring of Havilah's accounts by the half yearly external review and annual external audit (for the half yearly financial report and annual report respectively) and quarterly compilations for the Appendix 4B releases provides adequate safeguards, given the relative simplicity of Havilah's accounts.

Each director makes a point of satisfying himself concerning the validity of the accounts before they are signed off. One of the directors, Mr Ken Williams is a financial expert.

EXTERNAL AUDITOR ATTENDANCE AT ANNUAL GENERAL MEETINGS

The external auditor attends Annual General Meetings and is available to answer questions from shareholders on the auditor's report and the conduct of the audit.

CONTINUOUS DISCLOSURE POLICY

Havilah is committed to continuous disclosure of material information as a means of promoting transparency and investor confidence. Havilah's practices are designed to ensure Havilah is fully compliant with the ASX Listing Rules, including in particular those relating to continuous disclosure. Havilah's record of timely disclosure of market sensitive information and lack of any evidence of pre-announcement "leaks" indicates its compliance in this regard.

SHAREHOLDER COMMUNICATIONS STRATEGY

Havilah places great importance on the communication of accurate and timely information to its shareholders and market participants and recognises that efficient and continuous contact with stakeholders is an essential part of earning their trust and loyalty. Shareholders are actively encouraged to communicate with the company. Interested persons can join an email list to be notified immediately of important announcements to the ASX.

Investment Briefings

Havilah holds investment briefings for shareholders, analysts and other interested parties at various locations and times when directors believe it is appropriate.

Website: www.havilah-resources.com.au

Havilah believes its website is its most effective communication medium with shareholders, and therefore expends some effort keeping information on its website up to date and relevant. ASX announcements, quarterly reports and presentations plus relevant diagrams and photographs are regularly posted on Havilah's website.

DIRECTORS' REPORT

The directors of Havilah Resources NL submit herewith this directors report and the attached financial report of the Company for the year ended 31 July 2006. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

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)

Details of the directors are:

Keith Robert Johnson (Executive chairman) BSc(Hons), PhD, FAusIMM, aged 59

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.

Christopher William Giles (Executive technical director) BSc(Hons), PhD, MAIG, aged 52

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. As exploration manager of East African Gold Mines Limited he was 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 that are currently in production.

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

Kenneth Graham Williams (Non-executive director) BE(Hons), aged 45

Mr Williams has extensive experience in mining finance and his skills complement the technical skills of Drs Johnson and Giles. Mr Williams 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 he was Group Executive Finance and Business Manager at Newmont Australia Limited. He currently is a director of Advanced Magnesium Limited and Queensland Cotton Holdings Limited.

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

Directorships of other listed companies

Directorships of other listed companies held by directors in the three years immediately before the end of the financial year are as follows:

Name	Company	Period of Directorship
K R Johnson	Curnamona Energy Limited	since January 2005
K R Johnson	Geothermal Resources Limited	since July 2005
C W Giles	Curnamona Energy Limited	since January 2005
C W Giles	Geothermal Resources Limited	since July 2005
K G Williams	Curnamona Energy Limited	since January 2005
K G Williams	Geothermal Resources Limited	since July 2005
K G Williams	Advanced Magnesium Limited	since April 2002
K G Williams	Queensland Cotton Holdings Limited	since February 2006

Company Secretary

Edward James Grose CPA, aged 59
Mr Grose has been employed by Maptek Pty Ltd for 12 years as financial controller. Prior to that he worked for four years in a public accounting practice and has also had 20 years in the banking industry in a variety of roles. Mr Grose is a resident of Adelaide and a member of CPA Australia.

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity is exploration for gold, basemetals and other mineral deposits.

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

Havilah Resources has added to its substantial copper, gold, molybdenum and cobalt metal inventory during the year with further successful exploration drilling results from its advanced Kalkaroo, Mutooroo, North Portia and Portia projects. Mining scoping studies at Kalkaroo and Mutooroo in particular, have demonstrated that these projects are extremely robust and would still be cash positive at half current metal prices. Havilah has considerable opportunity to add further resources and discover new mineral deposits in its surrounding highly prospective exploration acreage.

Havilah proposes to advance the Portia gold project to the mining stage as rapidly as possible, because it offers the best opportunity for an early cashflow that in turn could continue to fund exploration and development of other projects.

See further details on pages 7-8 of this annual report and the pictures on the front and back covers.

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

On 19 September 2006 the Company's subsidiary, Curnamona Energy Limited, announced to the Australian Stock Exchange that potentially economic intersections of uranium had been made at the Curnamona Energy Limited's Oban prospect in tertiary palaeochannel sands.

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. The Company adopts a best practice approach in satisfaction of the regulations.

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 300,000 options to acquire ordinary shares in the Company were granted to employees. No options lapsed during the year.

During and since the end of the financial year no share options were granted to the directors of Havilah Resources NL. The following table sets out details of options held by the directors.

Directors	Number of options held	Issuing entity	Number of shares under options
K R Johnson	1,650,000	Havilah Resources NL	1,650,000
C W Giles	1,650,000	Havilah Resources NL	1,650,000
K G Williams	220,000	Havilah Resources NL	220,000

Details of unissued shares or interests under option are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of option
Havilah Resources NL	3,520,000	Ordinary	$1.18	15 July 2010
Havilah Resources NL	160,000	Ordinary	$0.25	8 October 2008
Havilah Resources NL	200,000	Ordinary	$1.02	9 May 2010
Havilah Resources NL	100,000	Ordinary	$1.06	29 August 2010
Havilah Resources NL	200,000	Ordinary	$0.96	17 February 2011

During the year 950,000 options to acquire ordinary shares in the Curnamona Energy Limited were granted under the Curnamona Energy Limited's employee share option plan. No options lapsed during the year.

During and since the end of the financial year no share options were granted to the directors of the Curnamona Energy Limited. The following table sets out details of options held by the directors:

Directors	Number of options held	Issuing entity	Number of shares under options
K R Johnson	1,500,000	Curnamona Energy Limited	1,500,000
C W Giles	1,500,000	Curnamona Energy Limited	1,500,000
K G Williams	200,000	Curnamona Energy Limited	200,000

SHARE OPTIONS (continued)

Details of unissued shares or interests under option are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of option
Curnamona Energy Limited	3,200,000	Ordinary	$0.25	14 April 2010
Curnamona Energy Limited	750,000	Ordinary	$0.62	29 August 2010
Curnamona Energy Limited	100,000	Ordinary	$0.55	20 February 2011
Curnamona Energy Limited	50,000	Ordinary	$0.55	18 May 2011
Curnamona Energy Limited	50,000	Ordinary	$0.55	19 June 2011

During and since the end of the financial period 1,600,000 share options were granted to the directors of Geothermal Resources Limited:

Directors	Number of options granted	Issuing entity	Number of shares under options
K R Johnson	750,000	Geothermal Resources Limited	750,000
C W Giles	750,000	Geothermal Resources Limited	750,000
K G Williams	100,000	Geothermal Resources Limited	100,000

No shares have been issued during the financial year as the result of options being exercised.

Details of unissued shares or interests under option are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of option
Geothermal Resources Limited	1,600,000	Ordinary	$0.60	21 March 2011

DIRECTORS' INTERESTS

The following table sets out each director's relevant interest in shares and options of Havilah Resources NL as at the date of this report.

Directors	Fully Paid Ordinary Shares	Share options
K R Johnson	2,746,470	1,650,000
C W Giles	8,385,496	1,650,000
K G Williams	107,159	220,000

The following table sets out each director's relevant interest in shares and options of Curnamona Energy Limited as at the date of this report.

Directors	Fully Paid Ordinary Shares	Share options
K R Johnson	300,000	1,500,000
C W Giles	312,600	1,500,000
K G Williams	59,600	200,000

DIRECTORS' INTERESTS (continued)

The following table sets out each director's relevant interest in shares and options of Geothermal Resources Limited as at the date of this report.

Directors	Fully Paid Ordinary Shares	Share options
K R Johnson	473,638	750,000
C W Giles	400,226	750,000
K G Williams	21,432	100,000

REMUNERATION REPORT

The key management personnel of consolidated entity during the year were:

- Keith Robert Johnson (Executive Chairman)
- Christopher William Giles (Executive Technical Director)
- Kenneth Graham Williams (Non-executive Director)
- Mark Randell (General Manager, Curnamona Energy Limited), appointed 14 July 2005

Remuneration Policy

Due to its size, the consolidated entity does not have a remuneration committee. The compensation of executive and non executive directors is reviewed by the Board with the exclusion of the director concerned. The compensation of other key management personnel is determined by the Board. Compensation levels are determined by the Board on an individual basis at reasonable but competitive market rates. External advice on compensation matters is sought whenever it is deemed necessary.

All compensation paid to the key management personnel of the consolidated entity is valued in accordance with applicable accounting standards and expensed. Share options provided to key management personnel are valued using the Black-Scholes methodology.

The board policy is to compensate key management personnel at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to key management personnel and reviews their compensation annually, based upon market practice, duties, and accountability. Independent external advice is sought when required. Given the nature of the consolidated entity's operations, compensation of key management personnel is not linked to the performance of the consolidated entity.

Performance Based Compensation

The consolidated entity currently has no performance based compensation component built into key management personnel compensation packages other than options to acquire shares in the companies within the group (Note 27 to the financial statements provides further information about the Share Option Plans).

Compensation packages contain the following key elements:

a) Short-term employee benefits - consulting fees and salaries;
b) Post employment benefits - superannuation;
c) Share-based payments - share options.

Consulting fees paid to K R Johnson, C W Giles and K G Williams are paid to a nominated company in which the key management personnel has a controlling interest.

Share options do not represent a cash payment to key management personnel and share options granted may or may not be exercised by key management personnel.

REMUNERATION REPORT (continued)

Compensation Details

The following tables disclose the compensation received by the key management personnel and company secretary (E J Grose):

2006	Short term employee benefits Consulting Fees and Salary $	Post employment Superannuation $	Share-based payments Options $	Total $
K R Johnson				
From Havilah Resources NL	132,451	-	-	132,451
From Curnamona Energy Limited	60,155	-	-	60,155
From Geothermal Resources Limited	20,000	-	7,520	27,520
Total	212,606	-	7,520	220,126
C W Giles				
From Havilah Resources NL	133,353	-	-	133,353
From Curnamona Energy Limited	60,465	-	-	60,465
From Geothermal Resources Limited	20,000	-	7,520	27,520
Total	213,818	-	7,520	221,338
K G Williams				
From Havilah Resources NL	22,500	-	-	22,500
From Curnamona Energy Limited	20,000	-	-	20,000
From Geothermal Resources Limited	10,000	-	960	10,960
Total	52,500	-	960	53,460
M H Randell				
From Havilah Resources NL	-	-	-	-
From Curnamona Energy Limited	93,336	37,464	95,061	225,861
From Geothermal Resources Limited	-	-	-	-
Total	93,336	37,464	95,061	225,861
E J Grose				
From Havilah Resources NL	-	-	3,772	3,772
From Curnamona Energy Limited	-	-	18,936	18,936
From Geothermal Resources Limited	-	-	-	-
Total	-		22,708	22,708
Total	572,260	37,464	133,769	743,493

REMUNERATION REPORT (continued)

Compensation Details (continued)

2005	Short term employee benefits Consulting Fees and Salary $	Post employment Superannuation $	Share-based payments Options $	Total $
K R Johnson				
From Havilah Resources NL	133,125	-	1,332,706	1,465,831
From Curnamona Energy Limited	20,000	-	51,929	71,929
Total	153,125	-	1,384,635	1,537,760
C W Giles				
From Havilah Resources NL	128,000	-	1,332,706	1,460,706
From Curnamona Energy Limited	15,000	-	51,929	66,929
Total	143,000	-	1,384,635	1,527,635
K G Williams				
From Havilah Resources NL	5,000	-	177,694	182,694
From Curnamona Energy Limited	5,000	-	6,924	11,924
Total	10,000	-	184,618	194,618
M H Randell				
From Havilah Resources NL	-	-	-	-
From Curnamona Energy Limited	9,940	983	-	10,923
Total	9,940	983	-	10,923
E J Grose				
From Havilah Resources NL	-	-	8,800	8,800
From Curnamona Energy Limited	-	-	-	-
Total	-	-	8,800	8,800
Total	316,065	983	2,962,688	3,279,736

REMUNERATION REPORT (continued)

Options

The following tables discloses for key management personnel and company secretary (E J Grose) the value of options granted, exercised or lapsed during the financial year.

2006	Options granted	Options exercised	Options lapsed	Total value of options granted, exercised and lapsed (a) $	Value of options included in compensation for the year (b) $	Percentage of total compensation for the year that consists of options %
	Value at grant date $	Value at exercise date $	Value at time of lapse $			
K R Johnson						
From Havilah Resources NL	-	-	-	-	-	
From Curnamona Energy Limited	-	-	-	-	-	
From Geothermal Resources Limited	7,520	-	-	7,520	7,520	
Total	7,520	-	-	7,520	7,520	3%
C W Giles						
From Havilah Resources NL	-	-	-	-		
From Curnamona Energy Limited	-	-	-	-	-	
From Geothermal Resources Limited	7,520	-	-	7,520	7,520	
Total	7,520	-	-	7,520	7,520	3%
K G Williams						
From Havilah Resources NL	-	-	-	-	-	
From Curnamona Energy Limited	-	-	-	-	-	
From Geothermal Resources Limited	960	-	-	960	960	
Total	960	-	-	960	960	2%
M H Randell						
From Havilah Resources NL	-	-	-	-	-	
From Curnamona Energy Limited	205,946	-	-	205,946	95,061	
From Geothermal Resources Limited						
Total	205,946	-	-	205,946	95,061	42%
E J Grose						
From Havilah Resources NL	-	14,600	-	14,600	3,772	
From Curnamona Energy Limited	102,973	-	-	102,973	18,936	
From Geothermal Resources Limited	-	-	-	-	-	
Total	102,973	14,600	-	117,573	22,708	100%

Value of options – basis of calculation

(a) The total value of options granted, exercised and lapsed is calculated based on the following:

- Fair value of options at grant date multiplied by the number of options granted during the financial year; plus
- Fair value of options at time they are exercised (calculated as the difference between exercise price and the Australian Stock Exchange last sale price on the day that the options were exercised) multiplied by the number of options exercised during the financial year; plus
- Fair value of options at time they lapsed multiplied by the number of options lapsed during the financial year.

(b) The total value of options included in compensation for the financial year is calculated in accordance with Accounting Standard AASB 2 "Share-based Payment". Options granted during the financial year are recognised in compensation over their vesting period.

REMUNERATION REPORT (continued)

Options (continued)

2005	Options granted Value at grant date $	Options exercised Value at exercise date $	Options lapsed Value at time of lapse $	Total value of options granted, exercised and lapsed (a) $	Value of options included in compensation for the year (b) $	Percentage of total compensation for the year that consists of options %
K R Johnson						
From Havilah Resources NL	1,332,706	2,100,000	-	3,432,706	1,332,706	
From Curnamona Energy Limited	51,929	-	-	51,929	51,929	
Total	1,384,635	2,100,000	-	3,484,635	1,384,635	90%
C W Giles						
From Havilah Resources NL	1,332,706	2,100,000	-	3,432,706	1,332,706	
From Curnamona Energy Limited	51,929	-	-	51,929	51,929	
Total	1,384,635	2,100,000	-	3,484,635	1,384,635	91%
K G Williams						
From Havilah Resources NL	177,694	45,000	-	222,694	177,694	
From Curnamona Energy Limited	6,924	-	-	6,924	6,924	
Total	184,618	45,000		229,618	184,618	95%
M H Randell						
From Havilah Resources NL	-	-	-	-	-	
From Curnamona Energy Limited	-	-	-	-	-	
Total	-	-	-	-	-	-
E J Grose						
From Havilah Resources NL	-	10,800	-	10,800	8,800	
From Curnamona Energy Limited	-	-	-	-	-	
Total	-	10,800	-	10,800	8,800	100%

Value of options – basis of calculation

(a) The total value of options granted, exercised and lapsed is calculated based on the following:

- Fair value of options at grant date multiplied by the number of options granted during the financial year; plus
- Fair value of options at time they are exercised (calculated as the difference between exercise price and the Australian Stock Exchange last sale price on the day that the options were exercised) multiplied by the number of options exercised during the financial year; plus
- Fair value of options at time they lapsed multiplied by the number of options lapsed during the financial year.

(b) The total value of options included in compensation for the financial year is calculated in accordance with Accounting Standard AASB 2 "Share-based Payment". Options granted during the financial year are recognised in compensation over their vesting period.

Management and Services Agreements

The consolidated entity and the Company have 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 2006, the Company had a contingent liability in relation to these agreements of $171,765 (2005: $440,000) and the consolidated entity had a contingent liability in relation to these agreements of $959,655 (2005: $750,000). The Directors may terminate the agreement by giving one month's notice.

REMUNERATION REPORT (continued)

Management and Service Agreements (continued)

Details of management and service agreements entered into by the Company and outstanding as at 31 July 2006 are set out below.

Director	Type	Details	Term
K R Johnson	Consultancy	Minimum of 1600 hours per annum at $137,412 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 annum at $137,412 per annum	Three years from 18 March 2002 with an option for the Company to extend the term for a further two years

Details of management and service agreements entered into by Curnamona Energy Limited and outstanding as at 31 July 2006 are set out below:

Director	Type	Details	Term
K R Johnson	Consultancy	Minimum of 600 hours per annum at $60,000 per annum increased to $61,860 per annum as at 31 July 2006	Three years from 18 February 2005 with an option for Curnamona Energy Limited to extend the term for a further two years
C W Giles	Consultancy	Minimum of 600 hours per annum at $60,000 per annum increased to $61,860 per annum as at 31 July 2006	Three years from 18 February 2005 with an option for Curnamona Energy Limited to extend the term for a further two years

Details of management and service agreements entered into by Geothermal Resources Limited and outstanding as at 31 July 2006 are set out below:

Director	Type	Details	Term
K R Johnson	Consultancy	Minimum of 600 hours per annum at $60,000 per annum adjusted for CPI increases at the end of the first year	Three years from 21 March 2006 with an option for Geothermal Resources Limited to extend the term for a further two years
K R Johnson	Management Services	$163,200 per annum adjusted for CPI increases at the end of the first year	Two years from 21 March 2006
C W Giles	Consultancy	Minimum of 600 hours per annum at $60,000 per annum adjusted for CPI increases at the end of the first year	Three years from 21 March 2007 with an option for Geothermal Resources Limited to extend the term for a further two years

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	7	7
C W Giles	7	7
K G Williams	7	7

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

AUDITORS INDEPENDENCE DECLARATION

The auditors independence declaration is included on page 68 of the annual report.

NON-AUDIT SERVICES

The directors are of the opinion that the services as disclosed in Note 19 to the financial statements do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 "Code of Ethics for Professional Accountants" issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the 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 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 by an officer or auditor.

Signed on 18 October 2006 in accordance with a resolution of the directors made pursuant to Section 298(2) of the Corporations Act 2001.

On behalf of the directors.

K R Johnson

K R Johnson
Chairman

HAVILAH RESOURCES NL
INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 JULY 2006

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Revenue	2	533,647	384,825	224,219	297,535
Other income	2	762,149	-	867,149	160,190
Depreciation expense		(89,708)	(24,092)	(27,639)	(20,428)
Amortisation expense		(46,120)	(9,068)	(18,787)	(8,320)
Insurance expense		(65,882)	(40,276)	(42,690)	(37,943)
Annual leave expense		(39,893)	-	(24,298)	-
Management fees		(438,011)	(189,567)	(181,872)	(144,545)
Consultant fees		(33,000)	(25,000)	(33,000)	(20,000)
Legal fees		(2,693)	(15,808)	(771)	(5,793)
Audit fees		(80,350)	(26,250)	(46,500)	(15,250)
ASX listing fees		(61,367)	(60,318)	(30,196)	(43,511)
Shareholder administration fees		(76,560)	(64,850)	(36,113)	(49,371)
Finance lease charges		(10,769)	(1,727)	(3,798)	(1,727)
Printing expense		(16,570)	-	(7,968)	-
Computer charges		(22,388)	(13,604)	(19,508)	(13,604)
Royalty expense		-	(2,000,000)	-	(2,000,000)
Salary expense		(50,259)	(10,923)	-	-
Share based payments		(273,745)	(2,972,803)	(98,510)	(2,862,021)
Exploration expenditure written off		(941,709)	-	(941,709)	-
Other expenses		(31,973)	(29,055)	(22,642)	(19,106)
Loss before income tax	2	(985,201)	(5,098,516)	(444,633)	(4,783,894)
Tax income	3	37,685	-	132,750	-
Loss for the year		**(947,516)**	**(5,098,516)**	**(311,883)**	**(4,783,894)**
Attributable to:					
Equity holders of the parent:					
Share of loss for the year		(705,815)	(5,033,831)	(311,883)	(4,783,894)
Gain from minority on issue of shares	31	1,837,868	2,716,180	-	-
Profit/(loss) attributable to equity holders of the parent		**1,132,053**	**(2,317,651)**	**(311,883)**	**(4,783,894)**
Minority interest					
Share of loss for the year		(241,701)	(64,685)	-	-
Loss on issue of shares	31	(1,837,868)	(2,716,180)	-	-
Loss attributable to minority interest		(2,079,569)	(2,780,865)	-	-
		(947,516)	(5,098,516)	(311,883)	(4,783,894)
Earnings per share:					
Basic (cents per share) profit/(loss)	22	1.6	(3.4)		
Diluted (cents per share) profit/(loss)	22	1.6	(3.4)		

Notes to the financial statements are included on pages 28 to 66.

HAVILAH RESOURCES NL
BALANCE SHEET
AS AT 31 JULY 2006

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Current Assets					
Cash and cash equivalents	4	9,532,040	10,447,106	2,323,547	5,086,181
Trade and other receivables	5	78,093	290,949	63,279	235,253
Other	6	49,082	39,311	27,458	23,028
Total Current Assets		9,659,215	10,777,366	2,414,284	5,344,462
Non-Current Assets					
Exploration and evaluation expenditure	7	6,131,662	4,538,869	5,417,454	4,492,266
Other financial assets	8	1,443,400	-	1,705,428	157,025
Plant and equipment	9	736,067	337,288	292,436	108,660
Total Non-Current Assets		8,311,129	4,876,157	7,415,318	4,757,951
TOTAL ASSETS		17,970,344	15,653,523	9,829,602	10,102,413
Current Liabilities					
Trade and other payables	10	407,051	2,551,744	260,027	2,337,355
Borrowings	11	99,176	14,812	54,967	8,556
Provisions	12	39,893	-	24,298	-
Total Current Liabilities		546,120	2,566,556	339,292	2,345,911
Non-Current Liabilities					
Borrowings	13	307,589	44,267	158,414	11,083
Other	14	325,513	134,413	325,513	134,413
Total Non-Current Liabilities		633,102	178,680	483,927	145,496
TOTAL LIABILITIES		1,179,222	2,745,236	823,219	2,491,407
NET ASSETS		16,791,122	12,908,287	9,006,383	7,611,006
Equity					
Issued capital	15	13,319,409	12,020,409	13,319,409	12,020,409
Reserves	16	3,417,092	2,918,077	3,270,281	2,862,021
Accumulated losses	17	(3,673,128)	(4,805,181)	(7,583,307)	(7,271,424)
		13,063,373	10,133,305	9,006,383	7,611,006
Minority interest		3,727,749	2,774,982	-	-
TOTAL EQUITY		16,791,122	12,908,287	9,006,383	7,611,006

Notes to the financial statements are included on pages 28 to 66.

HAVILAH RESOURCES NL
STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE FINANCIAL YEAR ENDED 31 JULY 2006

		Consolidated		Company	
	Notes	2006	2005	2006	2005
		$	$	$	$
Available-for-sale investments:					
Valuation gain taken to equity		442,500	-	442,500	-
Income tax on items taken directly to equity		(132,750)	-	(132,750)	-
Net income/expenses recognised directly in equity		309,750	-	309,750	-
Loss for the year		(947,516)	(5,098,516)	(311,883)	(4,783,894)
Total recognised income and expense for the year		**(637,766)**	**(5,098,516)**	**(2,133)**	**(4,783,894)**
Attributable to:					
Equity holders of parent		1,441,803	(2,317,651)	(2,133)	(4,783,894)
Minority interest		(2,079,569)	(2,780,865)	-	-
		(637,766)	**(5,098,516)**	**(2,133)**	**(4,783,894)**

Notes to the financial statements are included on pages 28 to 66.

HAVILAH RESOURCES NL
CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 JULY 2006

	Notes	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Cash flow from operating activities					
Payments to suppliers		(2,667,013)	(511,268)	(2,262,313)	(367,360)
Interest and other costs of finance paid		(10,769)	(1,727)	(3,798)	(1,727)
Receipts from customers		15,305	18,743	32,377	37,356
Net cash used in operating activities	26(b)	(2,662,477)	(494,252)	(2,233,734)	(331,731)
Cash flow from investing activities					
Interest received		537,392	346,929	181,468	249,805
Payments for exploration and evaluation		(2,814,017)	(2,033,685)	(2,160,999)	(1,994,108)
Government grant received for exploration activities		191,100	134,413	191,100	134,413
Payments for subsidiaries	30	-	-	(3)	(2,003)
Payments for plant and equipment		(305,820)	(79,457)	(22,523)	(42,732)
Net cash used in investing activities		(2,391,345)	(1,631,800)	(1,810,957)	(1,654,625)
Cash flow from financing activities					
Proceeds from issue of equity securities		1,299,000	2,746,687	1,299,000	2,746,687
Proceeds from issue of equity securities in subsidiaries		3,000,000	5,657,420	-	-
Payments for share issue costs in subsidiaries		(119,760)	(156,299)	-	-
Repayment of borrowing		(40,484)	(8,464)	(16,943)	(7,964)
Net cash provided by financing activities		4,138,756	8,239,344	1,282,057	2,738,723
Net decrease/(increase) in cash		(915,066)	6,113,292	(2,762,634)	752,367
Cash at beginning of financial year		10,447,106	4,333,814	5,086,181	4,333,814
Cash at end of financial year	26(a)	9,532,040	10,447,106	2,323,547	5,086,181

Notes to the financial statements are included on pages 28 to 66.

1 SUMMARY OF ACCOUNTING POLICIES

Statement of compliance

The financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with A-IFRS ensures that the consolidated financial statements and notes of the consolidated entity comply with the International Financial Reporting Standards ("IFRS"). The parent entity financial statements and notes also comply with IFRS except for the disclosure requirements in IAS 32 'Financial Instruments: Disclosure and Presentation' as the Australian equivalent Accounting Standard, AASB 132 'Financial Instruments: Disclosure and Presentation' does not require such disclosures to be presented by the parent entity where its separate financial statements are presented together with the consolidated financial statements of the consolidated entity.

The financial statements were authorised for issue by the directors on 18 October 2006.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of A-IFRS management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

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 consolidated entity changed its accounting policies on 1 August 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards", with 1 August 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the Company's and consolidated entity's financial position, financial performance and cash flows is discussed in Note 34 to the financial statements.

The directors have also elected under section 334(5) of the Corporations Act 2001 to apply Accounting Standards AASB 119 "Employee Benefits (December 2004)" and AASB 2004-3 "Amendments to Australian Accounting Standards", even though those Standards are not required to be applied until annual reporting periods beginning on or after 1 January 2006.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 July 2006, the comparative information presented in these financial statements for the year ended 31 July 2005, and in the preparation of the opening A-IFRS balance sheet at 1 August 2004 (as disclosed in Note 34 to the financial statements), the consolidated entity's date of transition, except for the accounting policies in respect of exploration and evaluation expenditure, and financial instruments.

The consolidated entity has not restated comparative information for exploration and evaluation expenditure, and financial instruments, including derivatives, as permitted under the first-time adoption transitional provisions.

The accounting policies for exploration and evaluation expenditure, and financial instrument applicable to the comparative information and the impact of changes in these accounting policies on 1 July 2005, the date of transition for financial instruments, is discussed further in Note 1(r).

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

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(a) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and bank deposits.

(c) Exploration and evaluation expenditure

Exploration and evaluation expenditures in relation to each separate area of interest, are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

i) the rights to tenure of the area of interest are current; and

ii) at least one of the following conditions is also met:
- the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale: or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploration drilling, trenching and sampling and associated activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they relate directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances (as defined in AASB 6 "Exploration for and Evaluation of Mineral Resources") suggest that the carrying amount of exploration and evaluation assets may exceed its recoverable amount. The recoverable amount of the exploration and evaluation assets (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment, reclassified to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

(d) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Contributions to accumulated benefit superannuation benefit plans are expensed when incurred.

(e) Government grants

Government grants are assistance by government in the form of transfers of resources to the consolidated entity in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Government grants are not recognised until there is reasonable assurance that the consolidated entity will comply with the conditions attached to them and the grant will be received. Government grants whose primary condition is to assist with exploration activities are recognised as deferred income in the balance sheet and recognised as income on a systematic basis when the related exploration and evaluation is written off.

1 SUMMARY OF ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

(e) Government grants (continued)

Other government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis. Government grants receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the consolidated entity with no future related costs are recognised as income in the period in which it becomes receivable.

(f) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Other financial assets are classified into the following specified categories: held-to-maturity investments, available-for-sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Held-to-maturity investments

Bills of exchange and debentures are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Available-for-sale financial assets

Certain shares and share options held by the consolidated entity are classified as being available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the year. Fair value has been determined based on quoted market prices.

Loans and receivables

Trade receivables, loans and other receivables are recorded at amortised cost less impairment.

(g) Financial instruments issued by the consolidated entity

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Interest and dividends

Interest and dividends are classified as expense or as distribution of profit consistent with the balance sheet classification of the related debt or equity instruments.

(h) 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.

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 cash flow statement 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.

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(i) Impairment of assets (other than exploration and evaluation)

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(j) Income tax

Current tax

Current tax is calculated by references to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior years is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the consolidated entity and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

(k) Joint ventures

Interests in jointly controlled assets and operations are reported in the financial statements by including the consolidated entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories.

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(l) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefit from the leased asset are consumed.

(m) Payables

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

(n) Plant and equipment

Plant and equipment and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of deprecation:

• Plant and equipment - at cost	3-5 years
• Plant and equipment under lease	4 years

(o) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent company) and its subsidiaries as defined in Accounting Standard AASB 127 "Consolidated and Separate Financial Statements". Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair value of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(p) Revenue recognition

Rendering of services
Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Interest revenue
Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(q) Share-based payments

Equity-settled share-based payments granted after 7 November 2002 that vest on or after 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

(r) Comparative information - exploration and evaluation, and financial instruments

The consolidated entity has elected not to restate comparative information, as permitted on the first-time adoption of A-IFRS for financial instruments within the scope of Accounting Standards AASB 132 "Financial Instruments: Disclosure and Presentation" and AASB 139 "Financial Instruments: Recognition and Measurement", and, exploration and evaluation expenditure within the scope of AASB 6 "Exploration and Evaluation of Mineral Reserves".

The accounting policies applied to accounting for financial instruments in the current financial year are detailed in Notes 1(a) to (q). The following accounting policies were applied to accounting for exploration evaluation expenditure and financial instruments in the comparative financial year

i) Accounts payable

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

ii) Exploration and evaluation expenditure

Exploration and evaluation 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:

- 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
- 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.

iii) Investments

Investments other than investments in subsidiaries, associates and joint venture entities are recorded at cost.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset

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

v) Share-based payments

The consolidated entity did not recognise an expense for any share-based compensation granted.

Effect of changing the accounting policies for exploration and evaluation, and financial instruments.

There is no material effect of changes in the accounting policy for exploration and evaluation, and financial instruments in the balance sheet as at 1 July 2005.

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
2 LOSS FROM OPERATIONS				
(a) Revenue				
Revenue from continuing operations consisted of the following items:				
Interest revenue:				
- Bank deposits	518,342	366,082	191,842	260,179
Services	10,472	18,172	28,800	36,785
Other revenue	4,833	571	3,577	571
	533,647	384,825	224,219	297,535
(b) Other income				
Other income consists of the following:				
Profit from sale of mining tenements	762,149	-	867,149	160,190
(c) Loss before income tax				
Loss before income tax has been arrived at after charging the following expenses from continuing operations:				
Employee benefits expense:				
- Post employment benefit:				
- Accumulated benefit superannuation plan	6,164	983	-	-
- Share-based payments:				
- Equity-settled share-based payments [i]	273,745	2,972,803	98,510	2,862,021
- Increase in employee benefits	39,893	-	24,298	-
- Other employee benefits	99,638	9,940	24,583	-
	419,440	2,983,726	147,391	2,862,021
Finance lease charges	10,769	1,727	3,798	1,727
Depreciation of non-current assets	89,708	24,094	27,639	20,428
Amortisation of non-current assets	46,120	9,068	18,787	8,320
Exploration expenditure written off	941,709	-	941,709	-

(i) Equity-settled share-based payments relate to share options granted during the year to key management personnel and employees. Share options to not represent cash payments to key management personnel or employees and share options granted may or may not be exercised by the key management personnel or employee.

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
3 INCOME TAX				
(a) Income tax recognised in profit or loss				
Current tax expense/(income)	-	-	-	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences and tax losses	(37,685)	-	(132,750)	-
Total tax income	(37,685)	-	(132,750)	-
The prima facie income tax expense/(income) on loss before income tax reconciles to the tax income in the financial statements as follows:				
Loss before income tax	(985,201)	(5,098,516)	(444,633)	(4,783,894)
Income tax income calculated at 30%	(295,560)	(1,529,555)	(133,390)	(1,435,168)
Share based payments	82,124	891,842	29,553	858,607
Other	33,772	52,642	4,434	6,144
Capital tax losses not recognised	42,779	-	42,779	-
Revenue tax losses not recognised	1,190,531	525,297	1,018,116	510,643
Prior year revenue tax losses recognised	(1,108,066)	-	(1,094,242)	-
Revenue tax losses previously recognised no longer brought to account	-	59,774	-	59,774
Temporary differences not recognised	5,930	-	-	-
Under provision of income tax in previous years	10,805	-	-	-
	(37,685)	-	(132,750)	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

3 INCOME TAX (continued)

Recognised deferred tax assets and (liabilities):

	Consolidated					
	Assets		Liabilities		Net	
	2006 $	2005 $	2006 $	2005 $	2006 $	2005 $
Deferred tax assets and (liabilities) are attributable to the following:						
Trade and other receivables	-	-	(31)	(5,746)	(31)	(5,746)
Exploration and evaluation expenditure	-	-	(1,637,749)	(1,108,925)	(1,637,749)	(1,108,925)
Plant and equipment	440	511	-	-	440	511
Other financial assets	-	-	(204,375)	-	(204,375)	-
Trade and other payables	23,402	604,208	-	-	23,402	604,208
Provisions	11,968	-	-	-	11,968	-
Other liabilities	97,654	40,324	-	-	97,654	40,324
Share issue costs	69,508	38,515	-	-	69,508	38,515
	202,972	683,558	(1,842,155)	(1,114,671)	(1,639,183)	(431,113)
Less temporary differences not recognised	(6,617)	-	-	-	(6,617)	-
	196,355	683,558	(1,842,155)	(1,114,671)	(1,645,800)	(431,113)
Tax value of losses carried forward	1,645,800	431,113	-	-	1,645,800	431,113
Tax deferred assets/ (liabilities)	1,842,155	1,114,671	(1,842,155)	(1,114,671)	-	-
Set off of tax	(1,842,155)	(1,114,671)	1,842,155	1,114,671	-	-
Net deferred tax assets/ (liabilities)	-	-	-	-	-	-

	Company					
	Assets		Liabilities		Net	
	2006 $	2005 $	2006 $	2005 $	2006 $	2005 $
Deferred tax assets and (liabilities) are attributable to the following:						
Trade and other receivables	-	-	-	(3,112)	-	(3,112)
Exploration and evaluation expenditure	-	-	(1,424,137)	(1,094,686)	(1,424,137)	(1,094,686)
Plant and equipment	440	511	-	-	440	511
Other financial assets	-	-	(204,375)	-	(204,375)	-
Trade and other payables	7,913	601,245	-	-	7,913	601,245
Provisions	7,289	-	-	-	7,289	-
Other liabilities	97,654	40,324	-	-	97,654	40,324
Share issue costs	3,771	38,515	-	-	3,771	38,515
	117,067	680,595	(1,628,512)	(1,097,798)	(1,511,445)	(417,203)
Tax value of losses carried forward	1,511,445	417,203	-	-	1,511,445	417,203
Tax deferred assets/(liabilities)	1,628,512	1,097,798	(1,628,512)	(1,097,798)	-	-
Set off of tax	(1,628,512)	(1,097,798)	1,628,512	1,097,798	-	-
Net deferred tax assets/ (liabilities)	-	-	-	-	-	-

3 INCOME TAX (continued)

(b) Unrecognised deferred tax assets:

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

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Temporary differences	6,617	-	-	-
Revenue tax losses	1,892,425	1,809,960	1,719,181	1,795,307
Capital tax losses	48,916	6,137	48,916	6,137
	1,947,958	1,816,097	1,768,097	1,802,444

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the consolidated entity and the Company can utilise the benefits.

(c) Movement in temporary differences and tax losses

2005	Consolidated			
	Balance 1 August 2004	Recognised in equity	Recognised in income	Balance 31 July 2005
	$	$	$	$
Trade and other receivables	-	-	(5,746)	(5,746)
Exploration and evaluation expenditure	(550,641)	-	(558,284)	(1,108,925)
Plant and equipment	404	-	107	511
Trade and other payables	-	-	604,208	604,208
Other liabilities	-	-	40,324	40,324
Share issue costs	73,260	-	(34,745)	38,515
Tax value of losses carried forward	476,977	-	(45,864)	431,113
	-	-	-	-

2006	Consolidated			
	Balance 1 August 2005	Recognised in equity	Recognised in income	Balance 31 July 2006
	$	$	$	$
Trade and other receivables	(5,746)	-	5,715	(31)
Exploration and evaluation expenditure	(1,108,925)	-	(528,824)	(1,637,749)
Plant and equipment	511	-	(71)	440
Other financial assets	-	(132,750)	(71,625)	(204,375)
Trade and other payables	604,208	-	(580,807)	23,401
Provisions	-	-	11,968	11,968
Other liabilities	40,324	-	57,330	97,654
Share issue costs	38,515	95,752	(64,759)	69,508
	(431,113)	(36,998)	(1,171,073)	(1,639,184)
Less temporary differences not recognised	-	(687)	(5,930)	(6,617)
	(431,113)	(37,685)	(1,177,003)	(1,645,801)
Tax value of losses carried forward	431,113	-	1,214,688	1,645,801
	-	(37,685)	37,685	-

3 INCOME TAX (continued)

(d) Movement in temporary differences and tax losses (continued)

2005	Company			
	Balance 1 August 2004	Recognised in equity	Recognised in income	Balance 31 July 2005
	$	$	$	$
Trade and other receivables	-	-	(3,112)	(3,112)
Exploration and evaluation expenditure	(550,641)	-	(544,045)	(1,094,686)
Plant and equipment	404	-	107	511
Trade and other payables	-	-	601,245	601,245
Other liabilities	-	-	40,324	40,324
Share issue costs	73,260	-	(34,745)	38,515
Tax value of losses carried forward	476,977	-	(59,774)	417,203
	-	-	-	-

2006	Company			
	Balance 1 August 2005	Recognised in equity	Recognised in income	Balance 31 July 2006
	$	$	$	$
Trade and other receivables	(3,112)	-	3,112	-
Exploration and evaluation expenditure	(1,094,686)	-	(329,451)	(1,424,137)
Plant and equipment	511	-	(71)	440
Other financial assets	-	(132,750)	(71,625)	(204,375)
Trade and other payables	601,245	-	(593,332)	7,913
Provisions	-	-	7,289	7,289
Other liabilities	40,324	-	57,330	97,654
Share issue costs	38,515	-	(34,744)	3,771
Tax value of losses carried forward	417,203	-	1,094,242	1,511,445
	-	(132,750)	132,750	-

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
4 CURRENT ASSETS – CASH AND CASH EQUIVALENTS				
Cash on hand	4	4	4	4
Cash at bank	311,537	522,796	152,957	436,113
Cash on deposit	9,220,499	9,924,306	2,170,586	4,650,064
	9,532,040	10,447,106	2,323,547	5,086,181

		Consolidated		Company	
		2006	2005	2006	2005
		$	$	$	$
5	**CURRENT TRADE AND OTHER RECEIVABLES**				
	Other receivables	3,755	13,817	3,755	13,817
	Amounts due from subsidiaries	-	-	38,638	3,178
	GST recoverable	74,235	257,979	20,886	207,884
	Accrued interest receivable	103	19,153	-	10,374
		78,093	290,949	63,279	235,253
6	**OTHER CURRENT ASSETS**				
	Prepayments	49,082	39,311	27,458	23,028
7	**NON-CURRENT EXPLORATION AND EVALUATION EXPENDITURE**				
	Cost brought forward	4,538,869	2,399,869	4,492,266	2,399,869
	Expenditure incurred during the year	2,773,256	2,139,000	2,105,651	2,092,397
	Less licenses sold	(238,751)	-	(238,751)	-
	Less exploration expenditure written off	(941,712)	-	(941,712)	-
	Cost carried forward	6,131,662	4,538,869	5,417,454	4,492,266

Exploration expenditure written off relates to areas of interest where activities had significantly decreased and there was not sufficient confidence that capital expenditure would be recouped through the successful development and exploration of the particular area of interest.

Geothermal Resources Limited (a subsidiary of the Company) has been awarded a Renewable Energy Development Initiative grant of $2.4 million, in support of its work (by a 50% matching contribution) on the Frome project in South Australia. As at the date of this report no funds have been received.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

		Consolidated		Company	
		2006	2005	2006	2005
		$	$	$	$
8	**OTHER FINANCIAL ASSETS**				
	At cost:				
	Shares in controlled entities – listed	-	-	260,028	155,025
	Shares in controlled entities –unlisted	-	-	2,000	2,000
	At fair value:				
	Available-for-sale financial assets:				
	Shares in other entities	1,425,833	-	1,425,833	-
	Options for shares in other entities	17,567	-	17,567	-
		1,443,400	-	1,705,428	157,025

8 OTHER FINANCIAL ASSETS (continued)

Shares in listed controlled entities relate to the Company's holding in Geothermal Resources Limited and Curnamona Energy Limited (2005: Curnamona Energy Limited) which are listed on the Australian Stock Exchange. The market value of the investments, based on the closing Australian Stock Exchange share price (31 July 2006), compared to the book value are set out below:

	2006		2005	
	Carrying value	Market value	Carrying value	Market value
	$	$	$	$
Curnamona Energy Limited	155,025	11,700,001	155,025	18,000,001
Geothermal Resources Limited	105,003	6,195,001	-	-
	260,028	17,895,002	155,025	18,000,001

9 PLANT AND EQUIPMENT

	Consolidated		
	Plant and Equipment at cost	Equipment under finance least at cost	Total
	$	$	$
Gross carrying amount			
Balance at 31 July 2004	172,217	41,603	213,820
Additions	238,840	39,940	278,780
Balance at 1 August 2005	411,057	81,543	492,600
Additions	146,437	388,170	534,607
Balance at 31 July 2006	557,494	469,713	1,027,207
Accumulated depreciation/amortisation			
Balance at 31 July 2004	106,803	15,347	122,150
Depreciation/amortisation expense	24,094	9,068	33,162
Balance at 1 August 2005	130,897	24,415	155,312
Depreciation/amortisation expense	89,708	46,120	135,828
Balance at 31 July 2006	220,605	70,535	291,140
Net Book Value			
At 31 July 2005	280,160	57,128	337,288
At 31 July 2006	336,889	399,178	736,067

	Company		
	Plant and Equipment at cost	Equipment under finance least at cost	Total
	$	$	$
Gross carrying amount			
Balance at 31 July 2004	172,217	41,603	213,820
Additions	45,738	-	45,738
Balance at 1 August 2005	217,955	41,603	259,558
Additions	19,517	210,685	230,202
Balance at 31 July 2006	237,472	252,288	489,760
Accumulated depreciation/amortisation			
Balance at 31 July 2004	106,803	15,347	122,150
Depreciation/amortisation expense	20,428	8,320	28,748
Balance at 1 August 2005	127,231	23,667	150,898
Depreciation/amortisation expense	27,639	18,787	46,426
Balance at 31 July 2006	154,870	42,454	197,324

9 PLANT AND EQUIPMENT (continued)

	Company		
	Plant and Equipment at cost	Equipment under finance least at cost	Total
	$	$	$
Net Book Value			
At 31 July 2005	90,724	17,936	108,660
At 31 July 2006	82,602	209,834	292,436

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
10 CURRENT LIABILITIES – PAYABLES				
Trade payables [a]	38,414	220,138	32,316	45,514
Accruals	102,274	2,215,011	48,653	2,203,081
Amounts payable to key management personnel related entities[a]	266,363	116,595	179,058	88,760
	407,051	2,551,744	260,027	2,337,355
(a) The average credit period on purchase is 30 days. No interest is charged on payables.				
11 CURRENT LIABILITIES – BORROWINGS				
Secured:				
Finance lease liability at amortised cost (2005: at cost)	99,176	14,812	54,967	8,556
Secured by the assets leased.				
12 CURRENT PROVISIONS				
Employee benefits	39,893	-	24,298	-
13 NON-CURRENT LIABILITIES – BORROWINGS				
Secured:				
Finance lease liability at amortised cost (2005: at cost)	307,589	44,267	158,414	11,083
Secured by the assets leased.				
14 NON-CURRENT LIABILITIES - OTHER				
Deferred income (government grants received for exploration activities)	325,513	134,413	325,513	134,413
15 ISSUED CAPITAL				
72,596,273 fully paid ordinary shares (2005: 71,336,273)	13,319,409	12,020,409	13,319,409	12,020,409

15 ISSUED CAPITAL (continued)

	2006		2005	
	Number	$	Number	$
Balance at beginning of the financial year	71,336,273	12,020,409	60,125,472	9,045,722
Issue of shortfall shares pursuant to prospectus dated 7 April 2004 at $0.27	-	-	3,380,801	912,817
Issue of shares to Lynch Mining Pty Ltd at $1.14 in exchange for 30% interest in EL2812	-	-	200,000	228,000
Exercise of options by key management personnel and employees at various prices	60,000	15,000	6,130,000	1,533,870
Exercise of options by Lynch Mining Pty Ltd at $0.20	-	-	1,500,000	300,000
Issue of shares to institutional investors at $1.07	1,200,000	1,284,000	-	-
Balance at end of the financial year	72,596,273	13,319,409	71,336,273	12,020,409

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

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

Share options

At the annual general meeting of the Company 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 vested on 19 December 2003, expire on 8 October 2008 and the exercise price is $0.20.

The options are not listed on the Australian Stock Exchange, carry no rights to dividends and no voting rights.

The difference between the market value of the options at date of issue and the total amount received has not been recognised in the financial statements. Consideration received on the exercise of the options is recognised in issue capital.

During the year ended 31 July 2005 Lynch Mining Pty Ltd exercised 1,500,000 share options.

Other than options that have been issued to key management personnel and employees (refer Note 27 to the financial statements for details) there are no other share options.

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
16 RESERVES				
Employee equity – settled benefits reserve	3,107,342	2,918,077	2,960,531	2,862,021
Available-for-sale revaluation reserve	309,750	-	309,750	-
	3,417,092	2,918,077	3,270,281	2,862,021

16 RESERVES (continued)

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Employee equity – settled benefits reserve				
Balance at the beginning of the year	2,918,077	-	2,862,021	-
Share based payments	195,083	2,972,803	98,510	2,862,021
Decrease due to change in ownership interest	(5,818)	(54,726)	-	-
Balance at the end of the financial year	3,107,342	2,918,077	2,960,531	2,862,021

The employee equity-settled benefits reserve arises on the grant of share options to key management personnel and employees under the share option plans. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to key management personnel and employees is made in Note 27 to the financial statements.

	Consolidated		Company	
	2005	2006	2005	2006
	$	$	$	$
Available-for-sale revaluation reserve				
Balance at the beginning of the year	-	-	-	-
Valuation gain recognised	442,500	-	442,500	-
Deferred tax arising on revaluation	(132,750)	-	(132,750)	-
Balance at the end of the financial year	309,750	-	309,750	-

The available-for-sale revaluation reserve arises on the revaluation of the available-for-sale financial assets. Where a revalued financial asset is sold that portion of the reserve which relates to that financial asset, and is effectively realised, is recognised in profit or loss. Where a revalued financial asset is impaired that portion of the reserve which relates to that financial asset is recognised in profit or loss.

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
17 ACCUMULATED LOSSES				
Balance at the beginning of the year	(4,805,181)	(2,487,530)	(7,271,424)	(2,487,530)
Net profit/(loss)	1,132,053	(2,317,651)	(311,883)	(4,783,894)
Balance at the end of the financial year	(3,673,128)	(4,805,181)	(7,583,307)	(7,271,424)

18 KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the consolidated entity during the year were:

- Keith Robert Johnson (Executive Chairman)
- Christopher William Giles (Executive Technical Director)
- Kenneth Graham Williams (Non Executive Director)
- Mark Randell (General Manager, Curnamona Energy Limited), appointed 14 July 2005

The aggregate compensation of key management personnel of the consolidated entity and Company is set out below:

18 KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Short-term employee benefits	572,260	316,065	288,304	266,125
Post employment benefits	37,464	983	-	-
Share-based payments (i)	111,061	2,953,888	-	2,843,106
	720,785	3,270,936	288,304	3,109,231

(i) Share-based payments relate to share options granted during the year to key management personnel. Share options do not represent cash payments to key management personnel and share options granted may or may not be exercised by key management personnel.

Due to its size, the consolidated entity does not have a remuneration committee. The compensation of executive and non executive directors is reviewed by the Board with the exclusion of the director concerned. The compensation of other key management personnel is determined by the Board. Compensation levels are determined by the Board on an individual basis at reasonable but competitive market rates. External advice on compensation matters is sought whenever it is deemed necessary.

All compensation paid to the key management personnel of the consolidated entity is valued in accordance with applicable accounting standards and expensed. Share options provided to key management personnel are valued using the Black-Scholes methodology.

The board policy is to compensate key management personnel at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to key management personnel and reviews their compensation annually, based upon market practice, duties, and accountability. Independent external advice is sought when required. Given the nature of the consolidated entity's operations, compensation of key management personnel is not linked to the performance of the consolidated entity.

The consolidated entity currently has no performance based compensation component built into key management personnel compensation packages other than options to acquire shares in the companies within the group (Note 27 to the financial statements provides further information about the Share Option Plans).

Compensation packages contain the following key elements:

a) Short-term employee benefits - consulting fees and salaries;

b) Post employment benefits - superannuation;

c) Share-based payments - share options.

Consulting fees paid to K R Johnson, C W Giles and K G Williams are paid to a nominated company in which the key management personnel has a controlling interest.

Share options do not represent cash payment to key management personnel and share options granted may or may not be exercised by key management personnel.

18 KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

The following table discloses the compensation received by the key management personnel from the consolidated entity:

2006	Short term employee benefits Consulting Fees and Salary $	Post employment Superannuation $	Share-based payments Options $	Total $
K R Johnson				
From Havilah Resources NL	132,451	-	-	132,451
From Curnamona Energy Limited	60,155	-	-	60,155
From Geothermal Resources Limited	20,000	-	7,520	27,520
Total	212,606	-	7,520	220,126
C W Giles				
From Havilah Resources NL	133,353	-	-	133,353
From Curnamona Energy Limited	60,465	-	-	60,465
From Geothermal Resources Limited	20,000	-	7,520	27,520
Total	213,818	-	7,520	221,338
K G Williams				
From Havilah Resources NL	22,500	-	-	22,500
From Curnamona Energy Limited	20,000	-	-	20,000
From Geothermal Resources Limited	10,000	-	960	10,960
Total	52,500	-	960	53,460
M H Randell				
From Havilah Resources NL	-	-	-	-
From Curnamona Energy Limited	93,336	37,464	95,061	225,861
From Geothermal Resources Limited	-	-	-	-
Total	93,336	37,464	95,061	225,861
Total	572,260	37,464	111,061	720,785

2005	Short term employee benefits Consulting Fees and Salary $	Post employment Superannuation $	Share-based payments Options $	Total $
K R Johnson				
From Havilah Resources NL	133,125	-	1,332,706	1,465,831
From Curnamona Energy Limited	20,000	-	51,929	71,929
Total	153,125	-	1,384,635	1,537,760
C W Giles				
From Havilah Resources NL	128,000	-	1,332,706	1,460,706
From Curnamona Energy Limited	15,000	-	51,929	66,929
Total	143,000	-	1,384,635	1,527,635
K G Williams				
From Havilah Resources NL	5,000	-	177,694	182,694
From Curnamona Energy Limited	5,000	-	6,924	11,924
Total	10,000	-	184,618	194,618
M H Randell				
From Havilah Resources NL	-	-	-	-
From Curnamona Energy Limited	9,940	983	-	10,923
Total	9,940	983	-	10,923
Total	316,065	983	2,953,888	3,270,936

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
19 REMUNERATION OF AUDITOR				
Audit and review of the financial reports	80,350	24,450	46,500	13,450
Benagerie Ridge Exploration Joint Venture audit	-	1,800	-	1,800
Investigating accountants report	8,000	18,690	-	-
	88,350	44,940	46,500	15,250

The auditor of Havilah Resources NL is Deloitte Touche Tohmatsu.

20 RELATED PARTY DISCLOSURES

a) Key management personnel compensation

Details of key management compensation are disclosed in Note 18 to the financial statements.

b) Transactions with key management personnel

During the year, related entities of certain key management personnel provided administration services and drilling services to the consolidated entity and Company on normal commercial terms and conditions totaling consolidated $994,615 and Company $739,388 (2005: Consolidated $1,033,006 and Company $946,777).

Details of the amount received from the Company are set out below.

	Type of Service	Amount 2006 $	Amount 2005 $	Terms and Conditions
K R Johnson	Administration	158,112	145,700	$13,600 per month for the provision of office space, general administration and accounting services and expires on 31 March 2008.
K R Johnson	Administration	7,968	10,288	Preparation and publishing of prospectus at hourly rates varying from $75 to $130
K R Johnson	Drilling plant hire and services	553,800	751,585	Drilling services are charged at various rates per metre ($16.50 to $40.00) and various hourly rates ($60 to $340).
K R Johnson	Maintenance for Vulcan software	19,508	39,204	One year's charge at 15% of original purchase price.

Details of the amount received from Curnamona Energy Limited are set out below.

	Type of Service	Amount 2006 $	Amount 2005 $	Terms and Conditions
K R Johnson	Administration	163,622	54,400	$13,600 per month, increased to $14,021.60 per month in July 2006, for the provision of office space, general administration and accounting services and expires on 14 April 2007
K R Johnson	Administration	7,768	31,829	Preparation and publishing of prospectus and annual report at hourly rates varying from $75 to $130

20 RELATED PARTY DISCLOSURES (continued)

b) Transactions with key management personnel (continued)

Details of the amount received from Geothermal Resources Limited are set out below.

	Type of Service	Amount 2006 $	Terms and Conditions
K R Johnson	Administration	54,400	$13,600 per month for the provision of office space, general administration and accounting services and expires on 21 March 2008
K R Johnson	Administration	29,437	Preparation and publishing of prospectus and annual report at hourly rates varying from $75 to $130

c) Key management personnel equity holdings

Fully paid ordinary shares issued by Havilah Resources NL

2006	Balance at 31 July 2005 Number	Net other changes Number	Balance at 31 July 2006 Number	Balance held Nominally Number
K R Johnson	2,676,570	69,900	2,746,470	-
C W Giles	8,169,264	216,232	8,385,496	-
K G Williams	107,159	-	107,159	-

2005	Balance at 31 July 2004 Number	Received on exercise of options Number	Net other changes Number	Balance at 31 July 2005 Number	Balance held Nominally Number
K R Johnson	2,602,570	3,000,000	(2,926,000)	2,676,570	-
C W Giles	8,069,264	3,000,000	(2,900,000)	8,169,264	-
K G Williams	-	50,000	57,159	107,159	-

Options issued by Havilah Resources NL

2006	Balance 31 July 2005 Number	Granted as compensation Number	Exercised during the year Number	Balance 31 July 2006 Number	Balance vested at 31 July 2006 Number	Vested and exercisable Number	Vested but not exercisable Number	Options vested during year Number
K R Johnson	1,650,000	-	-	1,650,000	1,650,000	1,650,000	-	-
C W Giles	1,650,000	-	-	1,650,000	1,650,000	1,650,000	-	-
K G Williams	220,000	-	-	220,000	220,000	220,000	-	-

2005	Balance 31 July 2004 Number	Granted as compensation Number	Exercised during the year Number	Balance 31 July 2005 Number	Balance vested at 31 July 2005 Number	Vested and exercisable Number	Vested but not exercisable Number	Options vested during year Number
K R Johnson	3,000,000	1,650,000	3,000,000	1,650,000	1,650,000	1,650,000	-	1,650,000
C W Giles	3,000,000	1,650,000	3,000,000	1,650,000	1,650,000	1,650,000	-	1,650,000
K G Williams	50,000	220,000	50,000	220,000	220,000	220,000	-	220,000

20 RELATED PARTY DISCLOSURES (continued)

c) Key management personnel equity holdings (continued)

Fully paid ordinary shares issued by Curnamona Energy Limited

2006	Balance 31 July 2005 Number	Net other changes Number	Balance at 31 July 2006 Number	Balance held Nominally Number
K R Johnson	300,000	-	300,000	-
C W Giles	300,000	12,600	312,600	-
K G Williams	59,600	-	59,600	-
M H Randell	12,000	20,000	32,000	-

2005	Balance 31 July 2004 Number	Net other changes Number	Balance at 31 July 2005 Number	Balance held Nominally Number
K R Johnson	-	300,000	300,000	-
C W Giles	-	300,000	300,000	-
K G Williams	-	59,600	59,600	-
M H Randell	-	12,000	12,000	-

Options issued by Curnamona Energy Limited

2006	Balance 31 July 2005 Number	Granted as compensation Number	Exercised during the year Number	Balance 31 July 2006 Number	Balance vested at 31 July 2006 Number	Vested and exercisable Number	Vested but not exercisable Number	Options vested during year Number
K R Johnson (i)	1,500,000	-	-	1,500,000	1,500,000	1,500,000	-	-
C W Giles (i)	1,500,000	-	-	1,500,000	1,500,000	1,500,000	-	-
K G Williams (i)	200,000	-	-	200,000	200,000	200,000	-	-
M H Randell	-	500,000	-	500,000	100,000	100,000	-	100,000

2005	Balance 31 July 2004 Number	Granted as compensation Number	Exercised during the year Number	Balance 31 July 2005 Number	Balance vested at 31 July 2005 Number	Vested and exercisable Number	Vested but not exercisable Number	Options vested during year Number
K R Johnson (i)	-	1,500,000	-	1,500,000	1,500,000	1,500,000	-	1,500,000
C W Giles (i)	-	1,500,000	-	1,500,000	1,500,000	1,500,000	-	1,500,000
K G Williams (i)	-	200,000	-	200,000	200,000	200,000	-	200,000
M H Randell	-	-	-	-	-	-	-	-

(i) The options held by directors are held in escrow until 17 April 2007.

Fully paid ordinary shares issued by Geothermal Resources Limited

2006	Balance 31 July 2005 Number	Net other changes Number	Balance at 31 July 2006 Number	Balance held Nominally Number
K R Johnson	-	473,638	473,638	-
C W Giles	-	400,226	400,226	-
K G Williams	-	21,432	21,432	-

20 RELATED PARTY DISCLOSURES (continued)

c) Key management personnel equity holdings (continued)

Options issued by Geothermal Resources Limited

2006	Balance 31 July 2005 Number	Granted as compensation Number	Exercised during the year Number	Balance 31 July 2006 Number	Balance vested at 31 July 2006 Number	Vested and exercisable Number	Vested but not exercisable Number	Options vested during year Number
K R Johnson (i)	-	750,000	-	750,000	750,000	750,000	-	750,000
C W Giles (i)	-	750,000	-	750,000	750,000	750,000	-	750,000
K G Williams (i)	-	100,000	-	100,000	100,000	100,000	-	100,000

(i) The options are held in escrow until 21 March 2008.

d) Transactions with subsidiaries

During the year ended 31 July 2005 the Company sold mining tenements to Curnamona Energy Limited in exchange for 30 million fully paid shares in Curnamona Energy Limited.

During the year ended 31 July 2005 the Company received $36,785 on normal commercial terms and conditions from Curnamona Energy Limited in relation to expenses relating to the public float of Curnamona Energy Limited.

During the year the Company sold Geothermal Exploration Licence 181 and associated technical data to Geothermal Resources Limited in exchange for 21 million fully paid shares in Geothermal Resources Limited.

During the year the Company received $28,800 on normal commercial terms and conditions from Geothermal Resources Limited in relation to expenses relating to the public float of Geothermal Resources Limited.

The ultimate parent entity is Havilah Resources NL.

Amounts receivable from subsidiaries are disclosed in Note 5 to the financial statements.

During the year the Company provided accounting and administration services, at no charge, to entities in the wholly owned group.

21 COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

a) Exploration Expenditure Commitments

The consolidated entity and the Company have 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 licences, and changes to licence areas at renewal or expiry, will alter the expenditure commitments of the consolidated entity and 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 consolidated entity's and the Company's obligations, are approximately:

21 COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES (continued)

a) Exploration Expenditure Commitments (continued)

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
No later than one year	1,766,666	1,508,000	1,766,666	1,508,000
Later than one year but not later than two years	1,926,666	1,450,000	1,926,666	1,450,000
Later than two years but not later than five years	9,734,996	2,800,000	9,734,996	2,800,000
	13,428,328	5,758,000	13,428,328	5,758,000

The consolidated entity has certain exploration obligations on areas covered by the various geothermal exploration licences in accordance with the work programmes as approved by the Minister for Mineral Resources Development ("Minister").

The minimum work requirement per geothermal exploration licence is set out below:

Year of term of licence	Minimum work requirements
One	Gravity survey
Two	Data review
Three	Drill one shallow hole
Four	Drill one deep pilot hole
Five	Drilling of one production well and one injection well

In the event that during any year of the term of the geothermal exploration licence the consolidated entity fails to comply with the work programme requirements, the Minister may then use discretion to either cancel the licence or authorise variations to the requirements.

The consolidated entity, when requested by the Minister, must lodge and maintain with the Minister a security of $50,000 or such greater sum as specified by the Minister for geothermal exploration licences. The security will either be cash or an unconditional irrevocable bank guarantee or letter in a form and from a financial institution approved by the Minister. As at 31 July 2006, an unconditional irrevocable bank guarantee for $100,000 had been provided.

b) Management and Service Agreements

The consolidated entity and the Company have 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 2006, the Company had a contingent liability in relation to these agreements of $171,765 (2005: $440,000) and the consolidated entity had a contingent liability in relation to these agreements of $959,655 (2005: $750,000). The Directors may terminate the agreement by giving one month's notice.

Details of management and service agreements entered into by the Company and outstanding as at 31 July 2006 are set out below.

Director	Type	Details	Term
K R Johnson	Consultancy	Minimum of 1600 hours per annum at $137,412 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 annum at $137,412 per annum	Three years from 18 March 2002 with an option for the Company to extend the term for a further two years

21 COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES (continued)

(b) Management and Service Agreements (continued)

Details of management and service agreements entered into by the Curnamona Energy Limited and outstanding as at 31 July 2006 are set out below:

Director	Type	Details	Term
K R Johnson	Consultancy	Minimum of 600 hours per annum at $60,000 per annum increased to $61,860 per annum as at 31 July 2006	Three years from 18 February 2005 with an option for Curnamona Energy Limited to extend the term for a further two years
C W Giles	Consultancy	Minimum of 600 hours per annum at $60,000 per annum increased to $61,860 per annum as at 31 July 2006	Three years from 18 February 2005 with an option for Curnamona Energy Limited to extend the term for a further two years

Details of management and service agreements entered into by the Geothermal Resources Limited and outstanding as at 31 July 2006 are set out below:

Director	Type	Details	Term
K R Johnson	Consultancy	Minimum of 600 hours per annum at $60,000 per annum adjusted for CPI increases at the end of the first year	Three years from 21 March 2006 with an option for Geothermal Resources Limited to extend the term for a further two years
K R Johnson	Management Services	$163,200 per annum adjusted for CPI increases at the end of the first year	Two years from 21 March 2006
C W Giles	Consultancy	Minimum of 600 hours per annum at $60,000 per annum adjusted for CPI increases at the end of the first year	Three years from 21 March 2007 with an option for Geothermal Resources Limited to extend the term for a further two years

c) Native Title

Native title claims exist over some tenements in South Australia in which the consolidated entity and the Company have interests. The consolidated entity and the Company are 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 consolidated entity and the Company or its projects.

22 EARNINGS PER SHARE

	2006 Cents per Share	2005 Cents per Share
Basic earnings per share – from continuing operations	1.6	(3.4)
Diluted earnings per share – from continuing operations	1.6	(3.4)

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:

	2006 $	2005 $
Earnings/(loss)	1,132,053	(2,317,651)

Earnings used in the calculation of basic and diluted earnings per share agree directly to net profit/(loss) attributable to members of the parent entity in the income statement.

	2006 Number	2005 Number
Weighted average number of ordinary shares	72,346,749	67,959,101

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.

23 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) Financial Risk Management Objectives

The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by directors on a continuous basis.

c) Interest Rate Risk

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

			Fixed Interest Rate Maturity				
	Average interest rate %	Variable interest rate maturity $	Less than 1 year $	1 to 2 years $	2 to 3 years $	3 to 4 years $	Total $
2006							
Financial Assets							
Cash at bank	3.15	311,537	-	-	-	-	311,537
Bank deposits	5.40	-	9,220,499	-	-	-	9,220,499
Total		311,537	9,220,499	-	-	-	9,532,036
Financial Liabilities							
Finance lease liability	7.43	-	99,176	94,677	113,146	99,766	406,765
Total		-	99,176	94,677	113,146	99,766	406,765

			Fixed Interest Rate Maturity				
	Average interest rate %	Variable interest rate maturity $	Less than 1 year $	1 to 2 years $	2 to 3 years $	3 to 4 years $	Total $
2005							
Financial Assets							
Cash at bank	3.25	522,796	-	-	-	-	522,796
Bank deposits	5.30	-	9,924,306	-	-	-	9,924,306
Total		522,796	9,924,306	-	-	-	10,447,102
Financial Liabilities							
Finance lease liability	7.35	-	14,812	17,820	7,253	19,194	59,079
Total		-	14,812	17,820	7,253	19,194	59,079

d) Credit Risk

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

e) Fair Value

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

23 FINANCIAL INSTRUMENTS (continued)

f) Liquidity risk management

The consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

24 SEGMENT INFORMATION

The consolidated entity operates in the mineral exploration industry in South Australia.

25 COMPANY STATUS

Havilah Resources NL is a public company incorporated and operating in Australia.

26 NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of cash

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Cash on hand	4	4	4	4
Cash at bank	311,537	522,796	152,957	436,113
Cash on deposit	9,220,499	9,924,306	2,170,586	4,650,064
	9,532,040	10,447,106	2,323,547	5,086,181

b) Reconciliation of loss to net cash used in operating activities

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Loss for the year	(947,516)	(5,098,516)	(311,883)	(4,783,894)
Depreciation and amortisation	135,828	33,162	46,426	28,748
Equity settled share based payments	273,745	2,972,803	98,510	2,862,021
Interest revenue	(518,342)	(366,082)	(191,842)	(260,179)
Profit on sale of exploration tenements	(762,149)	-	(867,149)	(160,190)
Capitalised exploration expenditure written off	941,709	-	941,709	-
Increase/(decrease) in assets:				
Trade and other receivables	193,806	(271,796)	182,348	(224,879)
Other assets	(9,771)	24,210	(4,430)	40,493
Deferred tax assets	(65,174)	-	(132,750)	-
Increase/(decrease) in liabilities:				
Trade and other payables	(1,944,506)	2,211,967	(2,018,971)	2,166,149
Provisions	39,893	-	24,298	-
Net cash used in operating activities	(2,662,477)	(494,252)	(2,233,734)	(331,731)

c) Non cash financing and investing activities

During the year the consolidated entity and the Company acquired equipment to the value of $388,170 and $210,685, respectively (2005: $39,940 and $nil, respectively) through finance leases.

During the year the consolidated entity and the Company sold exploration licences to Monax Mining Limited for 4,916,667 fully paid shares and 1,000,000 options to acquired shares in Monax Mining Limited at an exercise price of $0.25 and an expiry date of 30 June 2008.

26 NOTES TO THE STATEMENT OF CASH FLOWS (continued)

c) Non cash financing and investing activities (continued)

During the year ended 31 July 2005 the Company issued 200,000 fully paid shares at a deemed issue price of $1.14, being the market price of the Company's shares at the date of issue, to acquire the 30% interest in EL2812 held by Lynch Mining Pty Ltd.

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

27 SHARE OPTION PLAN

The consolidated entity and the Company have an ownership-based remuneration schemes for directors and employees. Details of the option plans are set out below.

Directors' share option plan

Companies within the consolidated entity have issued options to directors. Details of number issued to each director are set out in Note 20 to the financial statements. Details of the rules of the plan are set out below.

The Optionholder is entitled on payment of the exercise price to be allotted one ordinary fully paid share in the company that issued the option for each Option exercised (subject to possible adjustments referred to below).

The Options held by the Optionholder are exercisable in whole or in part at any time on or before midnight from five years from the grant date (exercise period). Options not exercised before the expiry of the exercise period will lapse.

Options are exercisable by notice in writing to the Board of the company that issued the option, delivered to the registered office of the company and payment of the exercise price in cleared funds.

The company will not apply for official quotation on Australian Stock Exchange ("ASX") of the Options. The company will make application for official quotation on ASX of new shares allotted on exercise of the Options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the Options will qualify for dividends declared after the date of their allotment.

Options are only transferable with Board approval of the company that issued the option except that if at any time before expiry of the exercise period the Optionholder dies, the legal personal representative of the deceased Optionholder may:

- elect to be registered as the new holder of the Options;
- whether or not he becomes so registered, exercise those Options in accordance with the terms and conditions on which they were granted; and
- if the deceased has already exercised Options, pay the exercise price in respect of those Options.

An Optionholder may only participate in new issues of securities to holders of ordinary shares in the company that issued the option if the Option has been exercised and shares allotted in respect of the Option before the record date for determining entitlements to the issue. The company must give prior notice to the Optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules.

If there is a bonus issue to the holders of ordinary shares in the capital of the company that issued the option, the number of ordinary shares over which the Option is exercisable will be increased by the number of ordinary shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.

If the company that issued the option makes a rights issue (other than a bonus issue), the exercise price of Options on issue will be reduced according to the following formula:

$$A = \frac{O - E[P - (S + D)]}{(N + 1)}$$

Where:

A = the new exercise price of the Option;
O = the old exercise price of the Option;
E = the number of underlying ordinary shares into which one Option is exercisable;
P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stockmarket of ASX during the 5 trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);
S = the subscription price for a security under the pro rata issue;
D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and
N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

If, during the currency of the Options the issued capital of the company that issued the option is reorganised, those Options will be reorganised to the extent necessary to comply with ASX Listing Rules.

27 SHARE OPTION PLAN (continued)

Employee Share Option Plan

The consolidated entity has established the following employee share option plans ("Plan")

- The Havilah Resources NL Employee Share Option Plan
- The Curnamona Energy Limited Employee Share Option Plan
- The Geothermal Resources Limited Employee Share Option Plan

A summary of the Rules of each Plan is set out below:

- All employees (full and part-time) will be eligible to participate in the Plan after a qualifying period of 12 months employment by a member of the Group, although the Board may waive this requirement.
- The allocation of options to each employee is in the discretion of the Board.
- If permitted by the Board, options may be issued to an employee's nominee (for example, a spouse or family company).
- Each option is to subscribe for one fully paid ordinary share in the company that issued the option and will expire 5 years from its date of issue. One fifth of the options granted will vest and can be exercised in any one year and options not exercised during a particular year will accumulate and may be exercised in subsequent years.
- Options will be issued free. The exercise price of options will be determined by the Board, and will be equal to or higher than the market price of the company's shares at the time the Board resolves to offer those options. The total number of shares the subject of options issued under the Plan, when aggregated with issues during the previous 5 years pursuant to the Plan and any other employee share plan, must not exceed 5% of the company's issued share capital of the company that issued the option.
- If, prior to the expiry date of options, a person ceases to be an employee of a Group company for any reason other than retirement at age 60 or more (or such earlier age as the Board permits), permanent disability, redundancy or death, the vested options held by that person (or that person's nominee) must be exercised within 1 month thereafter otherwise they will automatically lapse. If a person dies, the options held by that person will be exercisable by that person's legal personal representative.
- Options cannot be transferred other than to the legal personal representative of a deceased optionholder.
- The company that issued the option will not apply for official quotation on ASX of any options.
- Shares issued as a result of the exercise of options will rank equally with the company's previously issued shares.
- Optionholders may only participate in new issues of securities by first exercising their options.
- If there is a bonus share issue to the holders of shares, the number of shares over which an option is exercisable will be increased by the number of shares which the optionholder would have received if the option had been exercised before the record date for the bonus issue.
- If there is a pro rata issue (other than a bonus share issue) to the holders of shares, the exercise price of an option will be reduced to take account of the effect of the pro rata issue as per the formula set out in the director's share option plan.
- If there is a reorganisation of the issued capital of the company, unexercised options will be reorganised in accordance with the ASX Listing Rules.
- The Board may amend the Plan Rules subject to the requirements of the ASX Listing Rules.

Havilah Resources NL

Havilah Resources NL Directors' share option plan

The following share-based payments were in existence during the year:

Option series	Number	Grant date	Expiry date	Exercise price $	Fair value of each option at grant date $
Issued 25 January 2002	3,000,000	25 January 2002	25 January 2007	0.25	*
Issued 11 November 2003	50,000	15 November 2003	15 November 2010	0.42	*
Issued 15 July 2005	3,520,000	15 July 2005	15 July 2010	1.18	0.81

* Not applicable as options were issued and vested before 1 January 2005. No amount was recorded when these were issued. Consideration received on the exercise of these options shall be recognised in issued capital.

The options vest immediately from grant date.

The options were priced using the Black-Scholes model.

27 SHARE OPTION PLAN (continued)

Havilah Resources NL Directors' share option plan (continued)

Inputs to the model

Grant date	15 July 2005
Grant date share price	1.01
Exercise price	1.18
Expected volatility	112.10%
Option life	5 years
Dividend yield	-

The following reconciles the outstanding share options granted under the Havilah Resources NL Directors' share option plan at the beginning and end of the financial year:

	2006		2005	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	3,520,000	1.18	3,050,000	0.25
Granted during the financial year(i)	-	-	3,520,000	1.18
Forfeited during the financial year	-	-	-	-
Exercised during the financial year	-	-	(3,050,000)	(0.25)
Expired during the financial year	-	-	-	-
Balance at end of financial year (ii)	3,520,000	1.18	3,520,000	1.18
Exercisable at end of financial year	3,520,000	1.18	3,520,000	1.18

(i) The issue of options to the directors was approved by shareholders at a general meeting held on 15 July 2005
(ii) Balance at end of the financial year

Grant date	Number	Exercise price	Expiry date
15 July 2005	3,520,000	$1.18	15 July 2010

Havilah Resources NL employee share option plan

The following share-based payments were in existence during the year.

Option series	Number	Grant date	Expiry date	Exercise price $	Fair value of each option at grant date $
Issued 8 October 2003	220,000	8 October 2003	8 October 2008	0.25	0.06
Issued 9 May 2005	200,000	9 May 2005	9 May 2010	1.02	0.49
Issued 29 August 2005	100,000	29 August 2005	29 August 2010	1.06	0.71
Issued 17 February 2006	200,000	17 February 2006	17 February 2011	0.96	0.34

The options were priced using the Black-Scholes model.

One fifth of the options vest in each year (on the grant date in the first year and the anniversary of the grant date in subsequent years) and can be exercised in that year. Options not exercised during a particular year will accumulate and may be exercised in subsequent years.

Inputs to the model

Grant date	8 October 2003	9 May 2005	29 August 2005	17 February 2006
Grant date share price	$0.16	$0.86	$1.06	$0.77
Exercise price	$0.25	$1.02	$1.06	$0.96
Expected volatility	74.4%	97.9%	114.3%	74.6%
Option life	5 years	5 years	5 years	5 years
Dividend yield	-	-	-	-

27 SHARE OPTION PLAN (continued)

Havilah Resources NL employee share option plan (continued)

The following reconciles the outstanding Havilah Resources NL employee options granted under the employee share option plan at the beginning and end of the financial year:

	2006		2005	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	420,000	0.62	500,000	0.56
Granted during the financial year	300,000	0.99	-	-
Forfeited during the financial year	-	-	-	-
Exercised during the financial year	(60,000)	(0.25)	(80,000)	(0.25)
Expired during the financial year	-	-	-	-
Balance at end of financial year (i)	660,000	0.82	420,000	0.62
Exercisable at end of financial year	180,000	0.84	40,000	0.64

(i) Balance at end of the financial year

Grant date	Number	Exercise price	Expiry date
8 October 2003	160,000	$0.25	8 October 2008
9 May 2005	200,000	$1.02	9 May 2010
29 August 2005	100,000	$1.06	29 August 2010
17 February 2006	200,000	$0.96	17 February 2011
	660,000		

One fifth of the options vest in each year (on the grant date in the first year and the anniversary of the grant date in subsequent years) and can be exercised in that year. Options not exercised during a particular year will accumulate and may be exercised in subsequent years.

Curnamona Energy Limited

Curnamona Energy Limited Directors' share option plan

The following share-based payments were in existence during the year.

Option series	Number	Grant date	Expiry date	Exercise price $	Fair value of each option at grant date $
Issued 14 April 2005	3,200,000	14 April 2005	14 April 2010	0.25	0.03

The options vest immediately from grant date, however, they are held in escrow until 14 April 2007.
The options were priced using the Black-Scholes model.

Inputs to the model

Grant date share price	$0.20 (i)
Exercise price	$0.25
Expected volatility	20.0% (ii)
Option life	5 years
Dividend yield	-

(i) A price of $0.20 was used as this was the issue price of the Curnamona Energy Limited's shares under the prospectus.

(ii) Rate used is the historical long term volatility rate for mining stocks.

27 SHARE OPTION PLAN (continued)

Curnamona Energy Limited Directors' share option plan (continued)

The following reconciles the outstanding share options granted under the Curnamona Energy Limited Directors' share option plan at the beginning and end of the financial year:

	2006		2005	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	3,200,000	0.25	-	-
Granted during the financial year	-	-	3,200,000	0.25
Forfeited during the financial year	-	-	-	-
Exercised during the financial year	-	-	-	-
Expired during the financial year	-	-	-	-
Balance at end of financial year (i)	3,200,000	0.25	3,200,000	0.25
Exercisable at end of financial year	3,200,000	0.25	3,200,000	0.25

(i) Balance at end of the financial year:

Grant date	Number	Exercise price	Expiry date
14 April 2005	3,200,000	$0.25	14 April 2010

Outstanding options as at 31 July 2006 are held in escrow until 14 April 2007.

Curnamona Energy Limited employee share option plan

The following share-based payments were in existence during the year.

Option series	Number	Grant date	Expiry date	Exercise price $	Fair value of each option at grant date $
Issued 29 August 2005	750,000	29 August 2005	29 August 2010	0.62	0.29
Issued 20 February 2006	100,000	20 February 2006	20 February 2011	0.55	0.23
Issued 18 May 2006	50,000	18 May 2006	18 May 2011	0.55	0.20
Issued 19 June 2006	50,000	19 June 2006	19 June 2011	0.55	0.19

The options were priced using the Black-Scholes model.

One fifth of the options vest in each year (on the grant date in the first year and the anniversary of the grant date in subsequent years) and can be exercised in that year. Options not exercised during a particular year will accumulate and may be exercised in subsequent years.

Inputs to the model

Grant date	29 August 2005	20 February 2006	18 May 2006	19 June 2006
Grant date share price	$0.62	$0.44	$0.40	$0.39
Exercise price	$0.62	$0.55	$0.55	$0.55
Expected volatility	68.5%	90.4%	91.0%	90.2%
Option life	5 years	5 years	5 years	5 years
Dividend yield	-	-	-	-

27 SHARE OPTION PLAN (continued)

Curnamona Energy Limited employee share option plan (continued)

The following reconciles the outstanding employee options granted under the Curnamona Energy Limited employee share option plan at the beginning and end of the financial year:

	2006		2005	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	-	-	-	-
Granted during the financial year	950,000	0.59	-	-
Forfeited during the financial year	-	-	-	-
Exercised during the financial year	-	-	-	-
Expired during the financial year	-	-	-	-
Balance at end of financial year (i)	950,000	0.59	-	-
Exercisable at end of financial year	190,000	0.59	-	-

(i) Balance at end of the financial year:

Grant date	Number	Exercise price	Expiry date
29 August 2005	750,000	$0.62	29 August 2010
20 February 2006	100,000	$0.55	20 February 2011
18 May 2006	50,000	$0.55	18 May 2011
19 June 2006	50,000	$0.55	19 June 2011
	950,000		

One fifth of the options vest in each year (on the grant date in the first year and the anniversary of the grant date in subsequent years) and can be exercised in that year. Options not exercised during a particular year will accumulate and may be exercised in subsequent years.

Geothermal Resources Limited

The plan was established during the year and therefore there are no comparatives.

Geothermal Resources Limited Directors' share option plan

The following share-based payments were in existence during the year.

Option series	Number	Grant date	Expiry date	Exercise price $	Fair value of each option at grant date $
Issued 10 August 2005	1,600,000	10 August 2005	21 March 2011	0.60	0.01

The options vest immediately from grant date, however, they are held in escrow until 21 March 2008.

The options were priced using the Black-Scholes model.

Inputs to the model

Grant date share price	$0.25 (i)
Exercise price	$0.60
Expected volatility	20.0% (ii)
Option life	67 months
Dividend yield	-

(i) A price of $0.25 was used as this was the issue price of the Geothermal Resources Limited's shares under the prospectus.

(ii) Rate used is the historical long term volatility rate for mining stocks.

27 SHARE OPTION PLAN (continued)

Geothermal Resources Limited Directors' share option plan (continued)

The following reconciles the outstanding share options granted under the Geothermal Energy Limited Directors' share option plan at the beginning and end of the financial year:

	2006	
	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	-	-
Granted during the financial year	1,600,000	0.60
Forfeited during the financial year	-	-
Exercised during the financial year	-	-
Expired during the financial year	-	-
Balance at end of financial year	1,600,000	0.60
Exercisable at end of financial year	1,600,000	0.60

Outstanding options as at 31 July 2006, are held in escrow until 21 March 2008.

28 LEASES

Finance lease arrangements relate to plant and equipment with a term of four years.

	Consolidated			
	Minimum future lease payments 2006 $	Minimum future lease payments 2005 $	Present value of minimum future lease payment 2006 $	Present value of minimum future lease payment 2005 $
Not tater than one year	121,809	17,768	99,176	14,812
Later than one year and not later than 5 years	349,196	50,746	307,589	44,267
Minimum lease payments	471,005	68,514	406,765	59,079
Less future financed charges	(64,246)	(9,435)	-	-
Present value of minimum lease payments	406,759	59,079	406,765	59,079

Included in the financial statements as:

Current interest bearing liabilities			99,176	14,812
Non current interest liabilities			307,589	44,267
Total			406,765	59,079

	Company			
	Minimum future lease payments 2006 $	Minimum future lease payments 2005 $	Present value of minimum future lease payment 2006 $	Present value of minimum future lease payment 2005 $
Not later than one year	67,600	9,690	54,967	8,556
Later than one year and not later than 5 years	179,915	11,211	158,414	11,083
Minimum lease payments	247,515	20,901	213,381	19,639
Less future finance charges	(34,134)	(1,262)	-	-
Present value of minimum lease payments	213,381	19,639	213,381	19,639

28 LEASES (continued)

Included in the financial statements as:

Current interest bearing liabilities	54,967	8,556
Non current interest liabilities	158,414	11,083
Total	213,381	19,639

29 SUBSIDIARIES

Name of entity	Country of incorporation	Ownership interest 2006 %	Ownership interest 2005 %
Parent entity	Australia		
Havilah Resources NL			
Subsidiaries			
Curnamona Energy Limited	Australia	50.6%	50.6%
Geothermal Resources Limited	Australia	63.64%	
Kalkaroo Copper Pty Ltd	Australia	100%	100%
Mutooroo Metals Pty Ltd	Australia	100%	100%

30 ACQUISITION OF SUBSIDIARIES

Name of business acquired	Date of acquisition	Proportion of shares acquired %	Cost of acquisition $
2006			
Geothermal Resources Limited	9 August 2005	100%	3
2005			
Curnamona Energy Limited	17 February 2005	100%	3
Kalkaroo Copper Pty Ltd	29 September 2004	100%	1,000
Mutooroo Metals Pty Ltd	7 June 2005	100%	1,000
			2,003

The cost of acquisition comprises cash for all of the above acquisitions and each company had just been incorporated prior to their acquisition by the Company.

31 SIGNIFICANT ITEMS

Included in the income statement are the following significant items:

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Profit from sale of mining tenements	762,149	-	867,149	160,190
Exploration expenditure written off	(941,709)	-	(941,709)	-
Gain from minority on issue of shares	1,837,868	2,716,180	-	-
Loss on issue of shares	(1,837,868)	(2,716,180)	-	-

Profit from sale of mining tenements
During the year ended 31 July 2006 the consolidated entity and the Company recorded a profit of $762,149 as result of a sale of mining tenements to Monax Mining Limited and the subsequent listing of Monax Mining Limited on the Australian Stock Exchange.

31 SIGNIFICANT ITEMS (continued)

Exploration written off
During the year ended 31 July 2006 the consolidated entity and the Company decreased capitalised exploration and evaluation expenditure by $941,709 in relation to areas of interest where activities had significantly decreased and there was not sufficient confidence that capital expenditure would be recouped through the successful development and exploration of the particular area of interest.

Gain/(loss) from issued of shares by subsidiaries
During the year Geothermal Resources Limited (2005: Curnamona Energy Limited) listed on the Australian Stock Exchange after a successful capital raising by the Company. Havilah Resources NL's interest in the company decreased from 100% to 63.64%. (2005: 100% to 50.6%) resulting in a gain attributable to the Company's interest in Geothermal Resources Limited of $1,837,868 (2005: $2,716,180) and a corresponding loss by minority interests.

Included in the cash flow statement is the following significant item:

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Payments to suppliers	(2,667,013)	(511,268)	(2,262,313)	(367,360)

During the year ended 31 July 2006 the consolidated entity and the Company paid $2,200,000 to Placer Dome Australia Limited (which was accrued at 31 July 2005) for the extinguishment of its interests in an exploration licence.

32 JOINT VENTURE ASSETS

The consolidated entity and Company's interests in unincorporated joint venture assets at 31 July 2006 were as follows:

	2006	2005
Sandstone Joint Venture (EL2889)	-	7.8%
Eurinella Joint Venture (EL3256)	70%	70%

The above joint ventures are only involved in exploration activities. The amount included in exploration and evaluation expenditure (Note 7 to the financial statements) includes $164,087 (2005: $79,024) relating to the above joint ventures. There are no other assets or liabilities in the joint ventures.

33 SUBSEQUENT EVENTS

On 19 September 2006 Curnamona Energy Limited (a subsidiary of the Company) announced to the Australian Stock Exchange that potentially economic intersections orf uranium had been made at the Curnamona Energy Limited's Oban prospect in Tertiary palaeochannel sands.

34 IMPACT OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated entity and the Company changed its accounting policies on 1 August 2005 to comply with Australian equivalents to International Financial Reporting Standards (A-IFRS). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1."First time Adoption of Australian Equivalents to International Financial Reporting Standards", with 1 August 2004 as the date of transition, except for exploration and evaluation expenditure, and financial instruments, including derivatives, where the date of transmission is 1 August 2005 (refer Note 1(r) to the financial statements).

An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's and the Company's financial position, financial performance and cash flows is set out below:

Effect of A-IFRS on the balance sheet as at 1 August 2004

		Consolidated			Company		
	Note	Superseded policies *	Effect on Transition to A-IFRS	A-IFRS	Superseded policies *	Effect of Transition to A-IFRS	A-IFRS
		$	$	$	$	$	$
Current Assets							
Cash and cash equivalents		4,333,814	-	4,333,814	4,333,814	-	4,333,814
Other		63,521	-	63,521	63,521	-	63,521
Total Current Assets		4,397,335	-	4,397,335	4,397,335	-	4,397,335
Non-Current Assets							
Exploration and evaluation expenditure		2,399,869	-	2,399,869	2,399,869	-	2,399,869
Plant and equipment		91,670	-	91,670	91,670	-	91,670
Total Non-Current Assets		2,491,539	-	2,491,539	2,491,539	-	2,491,539
TOTAL ASSETS		6,888,874	-	6,888,874	6,888,874	-	6,888,874
Current Liabilities							
Trade and other payables		303,079	-	303,079	303,079	-	303,079
Borrowings		7,964	-	7,964	7,964	-	7,964
Total Current Liabilities		311,043	-	311,043	311,043	-	311,043
Non-Current Liabilities							
Borrowings		19,639	-	19,639	19,639	-	19,639
Total Non-Current Liabilities		19,639	-	19,639	19,639	-	19,639
TOTAL LIABILITIES		330,682	-	330,682	330,682	-	330,682
NET ASSETS		6,558,192	-	6,558,192	6,558,192	-	6,558,192
Equity							
Issued capital	(a)	8,871,998	173,724	9,045,722	8,871,998	173,724	9,045,722
Accumulated losses		(2,313,806)	(173,724)	(2,487,530)	(2,313,806)	(173,724)	(2,487,530)
Parent entity interest		6,558,192	-	6,558,192	6,558,192	-	6,558,192
Minority interest		-	-	-	-	-	-
TOTAL EQUITY		6,558,192	-	6,558,192	6,558,192	-	6,558,192

* Reported financial position under previous Australian GAAP

34 IMPACT OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Effect of A-IFRS on the income statement for the year ended 31 July 2005

		Consolidated			Company		
	Note	Superseded policies *	Effect on Transition to A-IFRS	A-IFRS	Superseded policies **	Effect of Transition to A-IFRS	A-IFRS
		$	$	$	$	$	$
Revenue	(b)	384,825	-	384,825	457,725	(160,190)	297,535
Other revenue	(b)	-	-	-	-	160,190	160,190
Depreciation expense		(24,092)	-	(24,092)	(20,428)	-	(20,428)
Amortisation expense		(9,068)	-	(9,068)	(8,320)	-	(8,320)
Insurance expense		(40,276)	-	(40,276)	(37,943)	-	(37,943)
Management fee expense		(189,567)	-	(189,567)	(144,545)	-	(144,545)
Consulting fees		(25,000)	-	(25,000)	(20,000)	-	(20,000)
Legal fees		(15,808)	-	(15,808)	(5,793)	-	(5,793)
Audit fees		(26,250)	-	(26,250)	(15,250)	-	(15,250)
ASX listing fees		(60,318)	-	(60,318)	(43,511)	-	(43,511)
Shareholder administration fees		(64,850)	-	(64,850)	(49,371)	-	(49,371)
Finance costs		(1,727)	-	(1,727)	(1,727)	-	(1,727)
Computer charges		(13,604)	-	(13,604)	(13,604)	-	(13,604)
Royalty expense		(2,000,000)	-	(2,000,000)	(2,000,000)	-	(2,000,000)
Salary expense		(10,923)	-	(10,923)	-	-	-
Share-based payments	(c)	-	(2,972,803)	(2,972,803)	-	(2,862,021)	(2,862,021)
Other expenses		(29,055)	-	(29,055)	(19,106)	-	(19,106)
Loss before income tax expense		(2,125,713)	(2,972,803)	(5,098,516)	(1,921,873)	(2,862,021)	(4,783,894)
Income tax expense		-	-	-	-	-	-
Loss attributable to outside equity interest		2,726,139	54,726	2,780,865	-	-	-
Net profit/(loss) attributable to members of the parent entity		600,426	(2,918,077)	(2,317,651)	(1,921,873)	(2,862,021)	(4,783,894)

* The amount disclosed under the superseded policies column is different to amounts reported in the 31 July 2005 financial report due to the exclusion of the gain on dilution of the Company's interest in Curnamona Energy Limited of $2,716,180 from the 'revenue' line item above. The $2,716,180 gain attributable to the parent entity's interest in Curnamona Energy Limited has been accounted for in the superseded policies column by increasing the loss attributable to the minority interest. All other amounts are the amounts reported under prevoius Australian GAAP.

** Reported financial results under previous Australian GAAP.

34 IMPACT OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Effect of A-IFRS on the balance sheet at 31 July 2005

	Note	Consolidated			Company		
		Superseded policies *	Effect on Transition to A-IFRS	A-IFRS	Superseded policies *	Effect of Transition to A-IFRS	A-IFRS
		$	$	$	$	$	$
Current Assets							
Cash and cash equivalents		10,447,106	-	10,447,106	5,086,181	-	5,086,181
Trade and other receivables		290,949	-	290,949	235,253	-	235,253
Other		39,311	-	39,311	23,028	-	23,028
Total Current Assets		10,777,366	-	10,777,366	5,344,462	-	5,344,462
Non-Current Assets							
Exploration and evaluation expenditure	(d)	4,404,456	134,413	4,538,869	4,357,853	134,413	4,492,266
Other financial assets		-	-	-	157,025	-	157,025
Plant and equipment		337,288	-	337,288	108,660	-	108,660
Total Non-Current Assets		4,741,744	134,413	4,876,157	4,623,538	134,413	4,757,951
TOTAL ASSETS		15,519,110	134,413	15,653,523	9,968,000	134,413	10,102,413
Current Liabilities							
Trade and other payables		2,551,744	-	2,551,744	2,337,355	-	2,337,355
Borrowings		14,812	-	14,812	8,556	-	8,556
Total Current Liabilities		2,566,556	-	2,566,556	2,345,911	-	2,345,911
Non-Current Liabilities							
Borrowings		44,267	-	44,267	11,083	-	11,083
Other		-	134,413	134,413	-	134,413	134,413
Total Non-Current Liabilities		44,267	134,413	178,680	11,083	134,413	145,496
TOTAL LIABILITIES		2,610,823	134,413	2,745,236	2,356,994	134,413	2,491,407
NET ASSETS		12,908,287	-	12,908,287	7,611,006	-	7,611,006
Equity							
Issued capital		11,846,685	173,724	12,020,409	11,846,685	173,724	12,020,409
Reserves		-	2,918,077	2,918,077	-	2,862,021	2,862,021
Accumulated losses		(1,713,380)	(3,091,801)	(4,805,181)	(4,235,679)	(3,035,745)	(7,271,424)
Parent entity interest		10,133,305	-	10,133,305	7,611,006	-	7,611,006
Minority interest		2,774,982	-	2,774,982	-	-	-
TOTAL EQUITY		12,908,287	-	12,908,287	7,611,006	-	7,611,006

* Reported financial position under previous Australian GAAP

Effect of A-IFRS on the cash flow statement for the year ended 31 July 2005

There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under the superseded policies.

34 IMPACT OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Notes to the reconciliations of income and equity

a) Share issue costs

Under superseded policies, the tax consequences of capital raising costs recorded in equity was not recognised. Under A-IFRS the tax consequences of capital raising costs is also recognised in equity. The effect in the consolidated entity and the Company is to increase issued capital by $173,724 and increase accumulated losses by $173,724.

b) Revenue

Under superseded policies, the consolidated entity and the Company recognised the gain or loss on disposal of exploration tenements on a 'gross' basis by recognising the proceeds from sale as revenue, and the carrying amount of the exploration tenements disposed as an expense. Under A-IFRS, the gain or loss on disposal is recognised on a 'net' basis, and is classified as income, rather than revenue. Accordingly, the 'gross' amounts have been reclassified within the income statement for A-IFRS reporting purposes.

c) Share-based payments

Under superseded policies, share-based payments relating to share options issued to key management personnel and employees were not recognised until the share options were exercised. Under A-IFRS, share-based payments relating to share options issued to key management personnel and employees are recognised on a straight line basis over the vesting period of the share options. Accordingly an expense has been recognised in the consolidated income statement over the vesting period of the share options of $2,972,803 (Company $2,862,021), minority interest has increased by $54,726, being the minority interest in this expense and consolidated share option reserve in the balance sheet has increase by $2,918,077 (Company $2,862,021).

d) Government grants

Under superseded policies, grant income received was net of the cost of the assets or expenses incurred. Under A-IFRS grant income that compensates the consolidated entity and the Company for expenses incurred is recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants which compensate the consolidated entity for exploration expenditure are recognised in the income statement as other operating income when the relevant exploration expenditure is expensed. The effect in the consolidated entity and Company is to increase capitalised exploration by $134,413 and to increase other liabilities by $134,413.

The effect of the above adjustments on the accumulated losses is as follows:

		Consolidated		Company	
	Notes	1 August 2004 $	31 July 2005 $	1 August 2004 $	31 July 2005 $
Tax relating to share issue costs	(a)	(173,724)	(173,724)	(173,724)	(173,724)
Share-based payments	(c)	-	(2,972,803)	-	(2,862,021)
Related outside equity adjustment	(c)	-	54,726	-	-
		(173,724)	(3,091,801)	(173,724)	(3,035,745)

Directors' Declaration

The Directors declare that:

(a) 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;

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(c) the directors have been given the declarations required by Section 295A of the Corporations Act 2001.

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
Chairman

18 October 2006
Adelaide

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Deloitte House
190 Flinders Street
Adelaide SA 5000
GPO Box 1969
Adelaide SA 5001 Australia

DX 664
Tel: +61 (0) 8 8407 7000
Fax: +61 (0) 8 8407 7001
www.deloitte.com.au

Board of Directors
Havilah Resources Limited
63 Conyngham Street
GLENSIDE SA 5065

18 October 2006

Dear Board Members

Havilah Resources Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Havilah Resources Limited.

As lead audit partner for the audit of the financial statements of Havilah Resources Limited for the financial year ended 31 July 2006, 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.

Yours sincerely

Deloitte Touche Tohmatsu.

DELOITTE TOUCHE TOHMATSU

James Handel.

J J Handel
Partner
Chartered Accountant

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Deloitte House
190 Flinders Street
Adelaide SA 5000
GPO Box 1969
Adelaide SA 5001 Australia

DX 664
Tel: +61 (0) 8 8407 7000
Fax: +61 (0) 8 8407 7001
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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 balance sheet, income statement, statement of recognised income and expense, cash flow statement, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Havilah Resources NL (the company) and the consolidated entity, for the financial year ended 31 July 2006 as set out on pages 24 to 67. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial 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 judgement, 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 Accounting Standards in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations, their changes in equity and their 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.

Audit Opinion

In our opinion, the financial report of Havilah Resources NL is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the company's and consolidated entity's financial position as at 31 July 2006 and of their performance for the year ended on that date; and

(b) complying with Accounting Standards in Australia and the Corporations Regulations 2001.

Deloitte Touche Tohmatsu.

DELOITTE TOUCHE TOHMATSU

J Handel.

J J Handel
Partner
Chartered Accountants
Adelaide, 18 October 2006

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Member of
Deloitte Touche Tohmatsu