



HAVILAH RESOURCES NL

ABN 39 077 435 520

ANNUAL REPORT

2007

Corporate Directory

Office Holders

Keith Robert Johnson, PhD (*Executive Chairman*)
Christopher William Giles, PhD (*Executive Director*)
Kenneth Graham Williams (*Non-executive Director*)
Edward James Grose, CPA (*Company Secretary*)

Registered and Principal Office

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Share Registrar

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(ACN 078 279 277)
Level 5, 115 Grenfell Street
Adelaide South Australia 5000

Auditors

Deloitte Touche Tohmatsu
11 Waymouth Street
Adelaide South Australia 5000

Solicitors to the Company

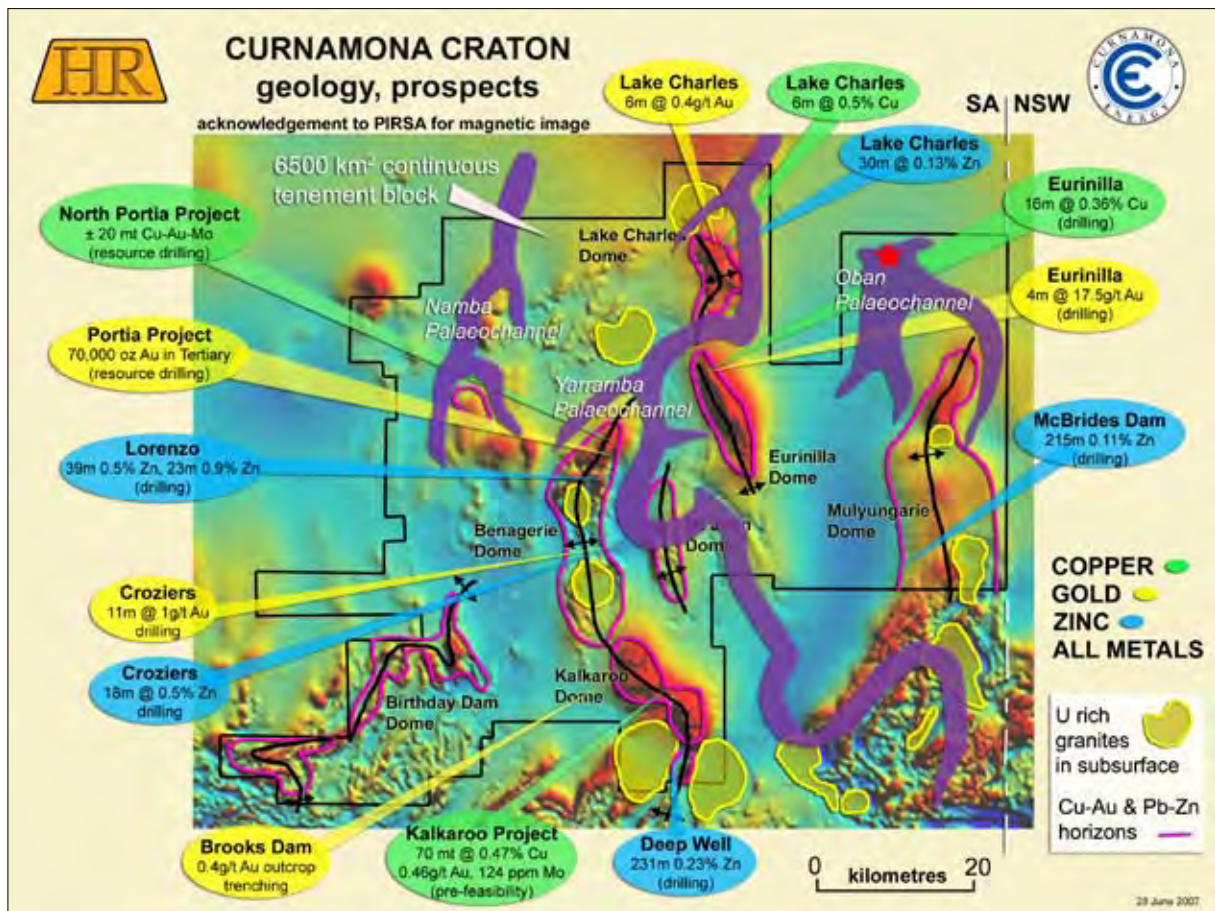
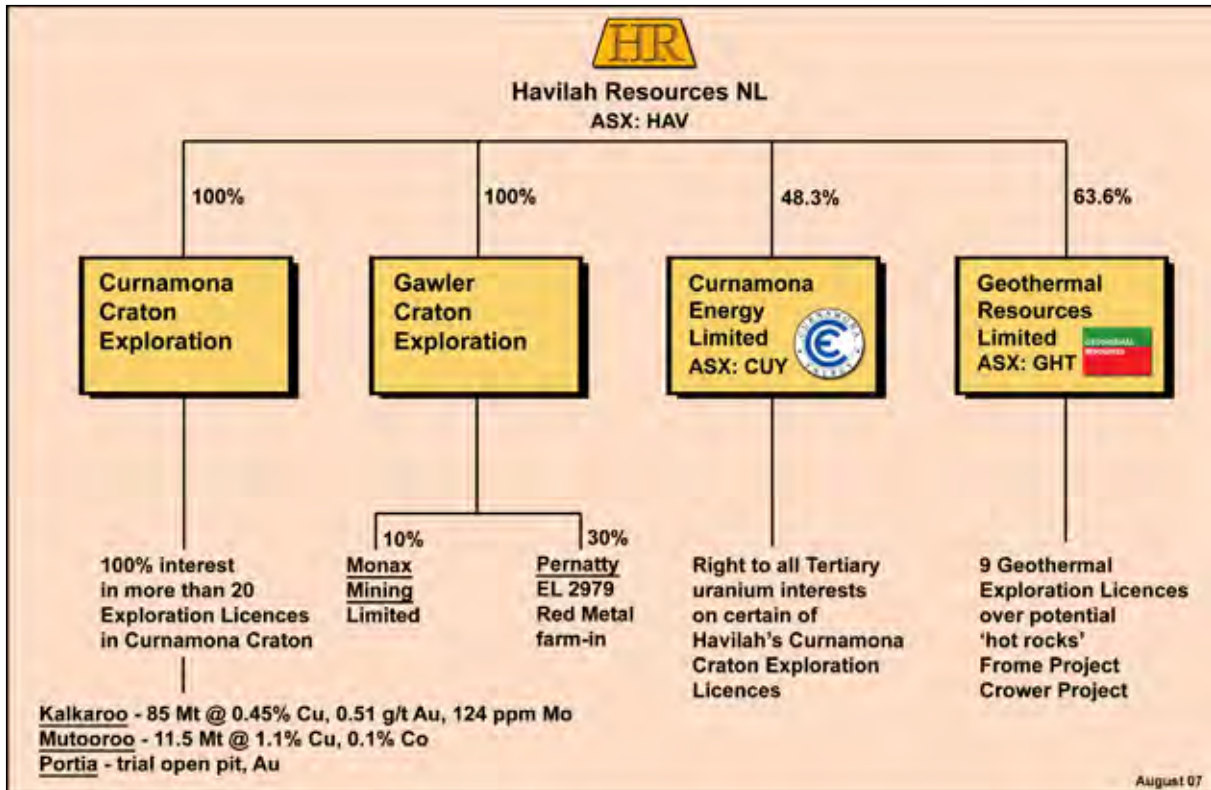
O'Loughlins Lawyers
Level 2, 99 Frome Street
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Company Highlights

- ❖ *Some of the best ever copper and gold drill intersections at West Kalkaroo including **102 metres of 0.83% copper and 1.6 g/t gold in KKRC136.***
- ❖ *28% upgrade in the total **Kalkaroo** copper-gold-molybdenum resource to 108 million tonnes when new West Kalkaroo resource is included.*
- ❖ ***Glencore International** agrees to fund the Kalkaroo feasibility study, with the right to sole fund a mining development for a 14% project interest and metals offtake right.*
- ❖ *Chinese partner funding mining feasibility study of the **Mutooroo copper-cobalt** project. Results for the feasibility drilling and metallurgical testing are positive.*
- ❖ ***Further drilling and sampling at Portia** confirms the existence of hitherto unrecognised substantial bedrock gold mineralisation. Progressing towards a trial open pit at Portia in order to determine the feasibility of establishing a long term gold mining operation.*
- ❖ *Good potential for repetitions of Portia style gold mineralisation identified at other prospects along strike (eg Lorenzo, Croziers Dam and Shylock) which are awaiting drilling.*
- ❖ *A 1:10 entitlements issue well supported by shareholders, raises \$9.44 million.*
- ❖ *Curnamona Energy (Havilah 48.3%) considerably expands the area of sand hosted uranium mineralisation, leading to a decision to construct a field leach trial in advance of a full scale in situ leach operation.*
- ❖ *Geothermal Resources (Havilah 63.6%) obtained high downhole temperatures in three 500 metre drillholes at its Frome project, confirming the original concept of buried radiogenic granites representing potentially large geothermal energy reservoirs.*



Chairman's Statement

25th October 2007

Dear Fellow Shareholders,

During the year we have made good progress towards advancing our three major projects. We have completed design work for the Portia gold deposit, begun the detailed feasibility study of the Kalkaroo copper-gold-molybdenum project and are well advanced into the feasibility study of the Mutooroo copper-cobalt deposit.

Work on two of the projects, Kalkaroo and Mutooroo, is fully funded by contributions from our joint venture partners, Glencore (earning a 14% interest) and Heilongjiang Resources (earning up to 50%). The work on these is focused on establishing the metallurgical treatment processes and fully defining the extent of the orebodies.

Our goal in 2008 is to bring the Portia deposit into production after excavating the trial pit early in the New Year. Engineering staff have been appointed to manage and operate the Portia project and the final permitting steps are underway. Metallurgically, the Portia gold deposit is simple and will require only a low cost gravity separation plant. The challenge is the soft overburden that has to be removed to uncover the gold orebody. Once Portia is in production, Havilah will be generating cash and will have made the transition from explorer to mining company. The nearby North Portia copper-gold deposit, similar to Kalkaroo, will be then ready for development as well. Havilah's pipeline of projects will ensure a bright future.

Diamond drilling results at both Kalkaroo and Mutooroo have confirmed earlier work and metallurgical testing is underway. The general location of the projects near the infrastructure of Broken Hill and the main continental railway will be of great advantage as we move forward. Meanwhile, exploration work is investigating several other opportunities in the region. We entered into a joint venture on the Prospect Hill tin and copper project in the northern Flinders Ranges where we have recently completed a drilling programme to expand the known resource. This is a most significant tin deposit in South Australia and will be a valuable addition to our commodity mix.

Havilah's subsidiaries, Curnamona Energy Limited and Geothermal Resources Limited have both had successful years. The Oban uranium deposit continues to reveal good drilling results and is progressing towards a Field Leach Trial where the uranium recovery parameters will be established. Once these are determined a decision can be made about expanding this to a full-fledged in situ recovery uranium mine.

Geothermal Resources has drilled its 500 metre deep reconnaissance holes in the Frome Project (some 60 kms west of Kalkaroo). Comparatively high thermal gradients were measured, which are close to those seen in the Cooper Basin and almost twice the Earth's normal gradient. A good correlation to the gravity mapping supports our initial ideas and we will move forward towards even deeper drilling to define the target locations for a pilot geothermal energy plant.

Havilah Resources remains structured to gain maximum benefit of its assets for shareholders. We aim to produce revenue next year from our mining. Once that happens we will expand and grow using our pre-eminent exploration portfolio and the increasing confidence in our mineralisation models in the Curnamona Craton.

The coming year will see many changes in Havilah as we transition into a mining company.

Yours sincerely



Bob Johnson
Chairman

Review of Operations

Havilah Resources NL ("Havilah") holds exploration licences covering more than 7,000 square kilometres of the highly mineralised Curnamona Province in northeastern South Australia. During the year work concentrated on progressing feasibility studies on three advanced projects, where previous exploration work has identified significant mineral resources.

1. Kalkaroo Copper-Gold Project (Havilah 100%)

- In late 2006 exploration drilling at **West Kalkaroo** produced some of the best copper and gold intersections ever obtained at Kalkaroo, including **102 metres of 0.83% copper and 1.6 g/t gold in KKRC136 and 81 metres of 0.48% copper and 1.6 g/t gold in KKRC127**. The drilling programme was partly supported by a PACE grant from the South Australian Government.
- 25 RC drillholes completed over a two month period at West Kalkaroo established an indicated resource of 23 million tonnes of 0.58 g/t Au and 0.33% Cu for a net outlay of approximately \$400,000.
- A revised resource estimate for Kalkaroo incorporating the new West Kalkaroo drilling resulted in a 28% increase in the total resource, from 85 million tonnes (measured) to 108 million tonnes (measured and indicated) of combined copper, gold and molybdenum mineralisation.
- Using a A\$20 per tonne ore value cutoff, this resource translates to 85 million mineable tonnes at a grade of 0.51 g/t Au and 0.45% Cu within an optimised open pit model.
- The total contained gold of 1.41 million ounces has climbed 36% in the current resource reflecting the important contribution of higher gold grades at West Kalkaroo. In gold terms, Kalkaroo contains the equivalent of over 6 million ounces.
- Kalkaroo presents challenging metallurgy, owing to the mixture of gold, copper and molybdenum and variably oxidised ore. The feasibility study to determine the optimum processing route is therefore of crucial importance and quite expensive partly because of the size of the deposit.
- In early July Havilah reached an agreement with **Glencore International**, a very successful major Swiss-based mining, processing and commodities trading company. Initially, Glencore has committed to fund a \$14 million feasibility study, which, upon completion, will give it the right to arrange all project development funding in exchange for a 14% project interest and marketing rights for all metals. The joint venture is confined to the Kalkaroo mineral resource and its immediate extensions.
- The feasibility study drilling has already commenced at Kalkaroo where Havilah's immediate objectives are to carry out resource definition and resource extension drilling and to obtain sufficient drill-core to commence comprehensive metallurgical studies, with the view to designing an optimum metallurgical processing route. The resource extension drilling will aim to test the depth extensions of the Kalkaroo mineralisation beyond the 150–180 metre depth previously drilled by Havilah.

2. Portia Gold Project

- Major breakthrough during the year with identification of primary gold mineralisation in bedrock from washing of samples in several drillholes as follows:
 - PTAC 191 26 metres of 15.4 g/t Au**
 - PTAC 193 13 metres of 33.5 g/t Au**
 - PTAC 197 25 metres of 14.5 g/t Au**
 - PTAC 205 26 metres of 9 g/t Au**
- Three large diameter diamond drillholes sunk beneath the proposed trial open pit confirm a wide zone of economic grade gold mineralisation, namely
 - PTDD206 56 metres of 4 g/t gold (uncut)**
 - PTDD207 35 metres of 4.7 g/t gold**
- Coarse-grained gold mineralisation is patchily developed along a major rock boundary, making establishment of a JORC resource by conventional drilling and assaying methods extremely difficult.
- Havilah is currently in process of completing various tasks in support of its application for a Mining Lease over Portia that will allow it to commence a trial open pit. This includes preparation of a Mining and Rehabilitation Plan ("MARP") in support of a mining lease application over the Portia area. In parallel, Havilah is negotiating with the Adnyamathanha native title claimants on the Portia mining lease application.
- Potential bedrock material at Portia is of the order of 8 million tonnes (of as yet uncertain grade) lying immediately beneath the base of Tertiary mineralisation.
- There is excellent scope for further Portia style discoveries in similar geological settings elsewhere on the Benagerie dome where there is known gold mineralisation from earlier drilling (eg at the Shylock, Lorenzo and Croziers Dam prospects).

3. Mutooroo Copper-Cobalt Project (Havilah 100%)

- In October 2006 Havilah signed a memorandum of understanding with a Chinese partner to fund a \$3 million feasibility study covering additional drilling, metallurgical testing and mining studies. Upon completion of the feasibility study, the Chinese partner may elect to fund 100% of the mine development until commercial scale production, for a maximum share in the mine output of 50%.
- Since the beginning of the year, and commencement of feasibility study drilling, 50 RC drillholes for a total 7,921 metres have been completed. Almost all drillholes have intersected economically significant copper and cobalt mineralisation over true widths up to 20 metres.
- Two particularly rich "fat ore zones" have been partially outlined by drilling, with intersections including:
 - MTRC55 27 metres of 1.75% copper and 0.22% cobalt**
 - MTRC70 17 metres of 2.11% copper and 0.30% cobalt**
 - MTRC77 14 metres of 2.29% copper and 0.22% cobalt**

These intersections represent extremely high value material in excess of \$300 per tonne based on current copper and cobalt prices.

- Large diameter diamond drillholes have been completed through the best ore zones to obtain metallurgical samples, with intersections as follows :

MTDD112 13.3 metres of 2.58% copper and 0.26% cobalt

MTDD113 27 metres of 2.26% copper and 0.25% cobalt

- A comprehensive programme of metallurgical testing is currently in progress using core samples and initial results show that the massive sulphide ore can be upgraded by at least one third by separation of quartz and other silicate gangue material.
- It is expected to complete the feasibility work in early 2008.

CURNAMONA ENERGY LIMITED (Havilah 48.2% ownership)

Curnamona Energy has confirmed economic grades of sand hosted uranium mineralisation over at least a 3 kilometre strike length at Oban. Some excellent uranium intercepts were achieved in this area during the year, including :

CEY097 8.20 metres averaging 0.08% eU₃O₈ for a grade thickness product (GT) of 0.63 m% eU₃O₈

CEY098 5.30 metres averaging 0.085% eU₃O₈ for a grade thickness product (GT) of 0.45 m% eU₃O₈

(Note : these intercepts are calculated using a cutoff of 0.01 % eU₃O₈ and assuming equilibrium between radioactive components).

Curnamona Energy is presently progressing permitting for a field leach trial at Oban on a relatively well mineralised area covering some 100,000 square metres. The trial will determine the factors critical to successful in situ recovery processing at Oban, such as permeability of the sands, uranium leachability/recovery and the extent of uranium disequilibrium.

Assuming the field leach trial is successful, Curnamona Energy would then move to obtain a Mining Lease and the right to sell uranium. It would upgrade the field leach trial pilot plant to a full scale operation, with sales of yellowcake slurry initially to existing producers.

GEOHERMAL RESOURCES LIMITED (Havilah 63.6% ownership)

Geothermal Resources completed four diamond drillholes to 500 metres depth on its Frome Project. Downhole logging in three holes returned temperatures comparable with those of Geodynamics in the Cooper Basin and provided direct support for the geological concept of buried hot radiogenic granite in the region. The geothermal energy reservoir represented by the 80 km x 20 km Vulcan granite is potentially huge. This provides good encouragement that suitably high temperatures (over 200 deg C) are likely to be present at around 4,000 metres and within economic drilling depths.

Temperature logging of a mineral exploration drillhole above a granite body in the centre of the Benagerie Dome yielded comparable temperatures, thus identifying a second potential granite geothermal energy reservoir in the region.

In the coming year it is planned to drill further shallow holes (to <500 metres depth) at the Frome project in order to pinpoint the areas of highest heat flow and thereby determine the optimum site for a deep test hole into the postulated granite geothermal reservoir at around 3 kilometres depth.

FUTURE STRATEGY

Havilah is currently focused on completion of the feasibility studies and mine permitting for its three advanced projects. The Kalkaroo and Mutooroo projects are potentially fully funded through to mining production by Havilah's joint venture partners. The Portia project is expected to be a relatively straightforward, low capital operation because the majority of the gold will be won via a comparatively low cost, simple gravity circuit. Accordingly, it is Havilah's intention to concentrate on advancing a trial open pit gold mining operation at Portia in order to determine the feasibility of establishing a long term gold mining operation, which it will own 100%. Modelling suggests a potential volume of mineralised bedrock material at Portia of the order of 8 million tonnes (of as yet uncertain grade) lying immediately beneath the base of Tertiary mineralisation.

Havilah still retains 100% of its highly prospective tenement holdings. This includes the immediate strike extensions of Portia elsewhere on the Benagerie dome where there is known gold mineralisation from earlier drilling (eg at the Shylock, Lorenzo and Croziers Dam prospects), the North Portia copper-gold deposit, which remains to be completely drilled and some 35 km strike of the Kalkaroo copper horizon.

FINANCE

At balance date, Havilah had available funds of approximately \$10 million. This followed an over-subscribed 1:10 entitlements issue during the year, which raised \$9.44 million. The issue was well supported by shareholders with about 64% taking up their entitlements and over half of them applying for shortfall shares as well. This was a remarkable achievement, considering that the issue was not underwritten and total costs of the issue were less than \$50,000.

Schedule of Tenements

Tenement Number	Tenement Name	Area (sq km)	Registered Company
CURNAMONA CRATON			
EL 3503	Telechie North	35	Havilah 100%
EL 3299	Billeroo West	176	Havilah 100%
EL 3519	Oratan	107	Havilah 100%
EL 3178	Lake Namba	516	Havilah 100%
EL 3179	Swamp Dam	53	Havilah 100%
EL 3180	Telechie	347	Havilah 100%
EL 3181	Yalu	491	Havilah 100%
EL 3072	Chocolate Dam	59	Havilah 100%
EL 3544	Mundaerno Hill	58	Havilah 100%
EL 3543	Border Block	35	Havilah 100%
EL 3586	Benagerie	585	Havilah 100%
EL 2986	Cutana	363	Havilah 100%
EL 3382	Mutooroo Mine	23	Havilah 100%
EL 3405	Mundi Mundi	73	Havilah 100%
EL 3419	Bonython Hill	20	Havilah 100%
EL 3256	Eurinilla	70	Havilah 70%, Alphadale 30%
EL 3442	Kalkaroo	998	Havilah 100%
EL 3448	Mutooroo West	72	Havilah 100%
EL 2878	Emu Dam	614	Havilah 100%
EL 3482	Mulyungarie	1139	Havilah 100%
EL 3151	Lake Charles	322	Havilah 100%
GAWLER CRATON			
EL 2979	Pernatty	316	Red Metal 70%, Havilah 30%

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Corporate Governance Statement

This section summarises the corporate governance policies and procedures of Havilah Resources NL ("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 5 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 16 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 5B 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 financial year ended 31 July 2007. 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
Christopher William Giles
Kenneth Graham Williams

Details of the directors are:

Keith Robert Johnson (Executive chairman) BSc(Hons), PhD, FAusIMM, aged 60

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 53

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) BEc(Hons), aged 46

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.

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	to March 2007
K G Williams	Queensland Cotton Holdings Limited	to August 2007

Company Secretary

Edward James Grose CPA, aged 60

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 made substantial progress at its three advanced projects during the year, namely Kalkaroo, Portia and Mutooroo. Some of the best ever copper and gold intersections were obtained in exploration drilling at the West Kalkaroo prospect, leading to a 28% increase in the total mineral resource at Kalkaroo to 108 million tonnes. Glencore International agreed to fund a \$14 million feasibility study at Kalkaroo and subject to the results, provide development financing in exchange for a 14% interest and metals offtake. At Mutooroo, where the feasibility study is being funded by a Chinese partner, resource drilling has produced excellent results. Metallurgical studies are currently in progress on diamond drill core, and initial results are encouraging. In a major breakthrough at Portia, significant gold mineralisation has been confirmed in the weathered bedrock. Havilah is currently in process of completing various tasks in support of its application for a Mining Lease over Portia that will allow it to commence a trial open pit. Havilah retains 100% of its highly prospective exploration acreage in the Curnamona Province, where it has considerable opportunity to add further resources and discover new mineral deposits in the future.

Havilah's subsidiary companies have each made considerable achievements in their own right. Curnamona Energy has extended the sand-hosted uranium mineralisation at its Oban project to over 3 kilometres of strike. It is presently working on obtaining the permitting for a field leach trial that will determine the factors critical to successful in situ recovery processing at Oban.

Geothermal Resources has obtained high downhole temperatures, comparable to the Cooper Basin, in three 500 metre holes drilled by it during the year at its Frome project, thus validating its original geological model. The 80 km x 20 km interpreted radiogenic granite body at depth that is causing the high temperatures represents a potentially huge geothermal energy reservoir. A second granite-driven potential geothermal energy source was discovered in the Benagerie Dome by temperature logging of old deep mineral exploration holes.

A 1:10 entitlements issue during the year was well supported by shareholders and raised \$9.44 million, leaving Havilah with over \$10 million at the end of the year. Havilah's major shareholdings in its subsidiary companies represent a substantial latent investment that is yet to be brought to account for the benefit of shareholders. See further details on pages 6-7 of this annual report.

CHANGES IN STATE OF AFFAIRS

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

SUBSEQUENT EVENTS

There has been no 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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

ENVIRONMENTAL DEVELOPMENTS

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

The consolidated entity's exploration operations are subject to environmental regulations under the various laws of South Australia and the Commonwealth. The consolidated entity adopts a best practice approach in satisfaction of the regulations.

FUTURE DEVELOPMENTS

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

SHARE OPTIONS

Share options granted to directors and executives

During and since the end of the financial year no share options in Havilah Resources NL, Curnamona Energy Limited or Geothermal Resources Limited were granted to directors and executives of the company and consolidated entity as part of their remuneration.

Shares under options or issued on exercise of options

Details of unissued shares or interests under option as at the date of this report are:

Issuing entity	Number of ordinary 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	120,000	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
Havilah Resources NL	90,000	Ordinary	\$0.75	10 October 2011
Havilah Resources NL	275,000	Ordinary	\$1.78	12 February 2012
Havilah Resources NL	100,000	Ordinary	\$2.12	13 April 2012
Havilah Resources NL	200,000	Ordinary	\$2.31	8 June 2012
Havilah Resources NL*	7,228,631	Ordinary	\$1.60	30 April 2010
Curnamona Energy Limited	3,200,000	Ordinary	\$0.25	14 April 2010
Curnamona Energy Limited	450,000	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
Curnamona Energy Limited	250,000	Ordinary	\$0.58	19 October 2011
Curnamona Energy Limited	200,000	Ordinary	\$1.81	8 June 2012
Geothermal Resources Limited	1,600,000	Ordinary	\$0.60	21 March 2011
Geothermal Resources Limited	200,000	Ordinary	\$0.31	19 October 2011
Geothermal Resources Limited	25,000	Ordinary	\$0.36	12 February 2012

* Issued pursuant to the rights issue.

All share options are unlisted except the Havilah Resources NL share options issued pursuant to the right issue.

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

Details of shares issued during or since the end of the financial year as a result of exercise of an option are:

Issuing entity	Number of shares issued	Class of shares	Amount paid for shares	Amount unpaid on shares
Havilah Resources NL	650	Ordinary	\$1.60	\$nil
Curnamona Energy Limited	300,000	Ordinary	\$0.62	\$nil

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	2,772,216	1,650,000
C W Giles	8,537,147	1,650,000
K G Williams	117,875	220,000

Directors' Report

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	332,600	1,500,000
K G Williams	59,600	200,000

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	29,432	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)

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 consolidated entity (Note 28 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.

Directors' Report

REMUNERATION REPORT (continued)

Compensation Details

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

2007	Short term employee benefits	Post employment Superannuation	Share-based payments Options	Total
	Consulting Fees and Salary *			
	\$	\$	\$**	\$
K R Johnson				
From Havilah Resources NL	137,412	-	-	137,412
From Curnamona Energy Limited	61,860	-	-	61,860
From Geothermal Resources Limited	60,000	-	-	60,000
Total	259,272	-	-	259,272
C W Giles				
From Havilah Resources NL	137,412	-	-	137,412
From Curnamona Energy Limited	61,860	-	-	61,860
From Geothermal Resources Limited	60,000	-	-	60,000
Total	259,272	-	-	259,272
K G Williams				
From Havilah Resources NL	20,600	-	-	20,600
From Curnamona Energy Limited	20,000	-	-	20,000
From Geothermal Resources Limited	20,000	-	-	20,000
Total	60,600	-	-	60,600
M H Randell				
From Havilah Resources NL	-	-	-	-
From Curnamona Energy Limited	87,225	43,575	30,802***	161,602
From Geothermal Resources Limited	-	-	-	-
Total	87,225	43,575	30,802	161,602
E J Grose				
From Havilah Resources NL	-	-	-	-
From Curnamona Energy Limited	-	-	15,792***	15,792
From Geothermal Resources Limited	-	-	13,165***	13,165
Total	-	-	28,957	28,957
Total	666,369	43,575	59,759	769,703

* Consulting fees paid to nominated company in which the key management personnel has a controlling interest.

** Share options do not represent cash payments to directors and share options granted may or may not be exercised by the key management personnel.

*** Amortisation of options granted during the year ended 31 July 2006.

REMUNERATION REPORT (continued)

Compensation Details (continued)

2006	Short term employee benefits	Post employment Superannuation	Share-based payments Options **	Total
	Consulting Fees and Salary * \$			
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

* Consulting fees paid to nominated company in which the key management personnel has a controlling interest.

** Share options do not represent cash payments to directors and share options granted may or may not be exercised by the key management personnel.

REMUNERATION REPORT (continued)

Options

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

2007	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	-	-	-	-	-	-
Total	-	-	-	-	-	-
C W Giles						
From Havilah Resources NL	-	-	-	-	-	-
From Curnamona Energy Limited	-	-	-	-	-	-
From Geothermal Resources Limited	-	-	-	-	-	-
Total	-	-	-	-	-	-
K G Williams						
From Havilah Resources NL	-	-	-	-	-	-
From Curnamona Energy Limited	-	-	-	-	-	-
From Geothermal Resources Limited	-	-	-	-	-	-
Total	-	-	-	-	-	-
M H Randell						
From Havilah Resources NL	-	-	-	-	-	-
From Curnamona Energy Limited	30,802	-	-	-	30,802	19%
From Geothermal Resources Limited	-	-	-	-	-	-
Total	-	-	-	-	-	-
E J Grose						
From Havilah Resources NL	-	14,000	-	14,000	-	-
From Curnamona Energy Limited	15,792	-	-	-	15,792	100%
From Geothermal Resources Limited	13,165	-	-	13,165	13,165	100%
Total	13,165	14,000	-	27,165	13,165	100%

REMUNERATION REPORT (continued)

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)

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 2007, the Company had a contingent liability in relation to these agreements of \$171,645 (2006: \$171,765) and the consolidated entity had a contingent liability in relation to these agreements of \$552,615 (2006: \$959,655). 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 2007 are set out below.

Director	Type	Details	Term
K R Johnson	Consultancy	Minimum of 1600 hours per annum at \$137,412 per annum	Two years from 18 March 2007
C W Giles	Consultancy	Minimum of 1600 hours per annum at \$137,412 per annum	Two years from 18 March 2007

Details of management and service agreements entered into by Curnamona Energy Limited and outstanding as at 31 July 2007 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 2007	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 2007	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 2007 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	14	14
C W Giles	14	14
K G Williams	14	14

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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 66 of the annual report.

NON-AUDIT SERVICES

The directors are of the opinion that the services as disclosed in Note 20 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 25 October 2007 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
Chairman
Adelaide

Income Statement

HAVILAH RESOURCES NL
INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 JULY 2007

	Note	Consolidated		Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
Revenue	2	948,829	533,647	557,021	224,219
Other income	2	-	762,149	-	867,149
Depreciation expense	2, 9	(114,016)	(89,708)	(33,869)	(27,639)
Amortisation expense	2, 9	(107,049)	(46,120)	(38,793)	(18,787)
Insurance expense		(41,628)	(65,882)	(23,003)	(42,690)
Annual leave expense		(58,884)	(39,893)	(32,485)	(24,298)
Management fees		(499,226)	(385,511)	(163,881)	(159,372)
Consultant fees		(42,676)	(33,000)	(26,120)	(33,000)
Legal fees		(58,646)	(2,693)	(24,050)	(771)
Directors fees		(65,000)	(52,500)	(25,000)	(22,500)
Audit fees	20	(87,000)	(80,350)	(43,500)	(46,500)
ASX listing fees		(90,454)	(61,367)	(40,461)	(30,196)
Shareholder administration fees		(95,040)	(76,560)	(44,984)	(36,113)
Finance lease charges	2	(36,636)	(10,769)	(11,176)	(3,798)
Printing expense		(19,920)	(16,570)	(9,800)	(7,968)
Computer charges		(10,161)	(22,388)	(5,526)	(19,508)
Salary expense		(102,398)	(50,259)	(102,398)	-
Share based payments		(411,980)	(273,745)	(248,332)	(98,510)
Exploration expenditure written off		-	(941,709)	-	(941,709)
Impairment of receivable	2,10	-	-	(2,000,000)	-
Other expenses		(28,780)	(31,973)	(17,163)	(22,642)
Loss before tax	2	(920,665)	(985,201)	(2,333,520)	(444,633)
Income tax benefit	3	483,621	37,685	771,447	132,750
Loss for the year		(437,044)	(947,516)	(1,562,073)	(311,883)
<i>Attributable to:</i>					
Equity holders of the parent:					
Share of loss for the year		(179,054)	(705,815)	(1,562,073)	(311,883)
Gain from minority on issue of shares	31	2,811,812	1,837,868	-	-
Profit/(loss) attributable to equity holders of the parent		2,632,758	1,132,053	(1,562,073)	(311,883)
Minority interest					
Share of loss for the year		(257,990)	(241,701)	-	-
Loss on issue of shares	31	(2,811,812)	(1,837,868)	-	-
Loss attributable to minority interest		(3,069,802)	(2,079,569)	-	-
		(437,044)	(947,516)	(1,562,073)	(311,883)
Earnings per share:					
Basic (cents per share)	23	3.5	1.6		
Diluted (cents per share)	23	3.5	1.6		

Notes to the financial statements are included on pages 27 to 64

Balance Sheet

HAVILAH RESOURCES NL
BALANCE SHEET
AS AT 31 JULY 2007

	Note	Consolidated		Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
Current Assets					
Cash and cash equivalents	4	24,136,831	9,532,040	9,989,538	2,323,547
Trade and other receivables	5	249,619	78,093	84,463	63,279
Other	6	81,730	49,082	34,060	27,458
Total Current Assets		24,468,180	9,659,215	10,108,061	2,414,284
Non-Current Assets					
Exploration and evaluation expenditure	7	9,978,452	6,131,662	7,054,658	5,417,454
Other financial assets	8	3,508,400	1,443,400	3,771,428	1,705,428
Plant and equipment	9	1,143,733	736,067	262,711	292,436
Deferred tax asset	3	-	-	175,361	-
Other	10	-	-	-	-
Total Non-Current Assets		14,630,585	8,311,129	11,264,158	7,415,318
TOTAL ASSETS		39,098,765	17,970,344	21,372,219	9,829,602
Current Liabilities					
Trade and other payables	11	1,777,273	407,051	174,977	260,027
Borrowings	12	139,849	99,176	38,870	54,967
Provisions	13	98,777	39,893	56,783	24,298
Total Current Liabilities		2,015,899	546,120	270,630	339,292
Non-Current Liabilities					
Borrowings	14	395,464	307,589	83,198	158,414
Other	15	2,897,800	325,513	2,425,513	325,513
Total Non-Current Liabilities		3,293,264	633,102	2,508,711	483,927
TOTAL LIABILITIES		5,309,163	1,179,222	2,779,341	823,219
NET ASSETS		33,789,602	16,791,122	18,592,878	9,006,383
Equity					
Issued capital	16	22,791,529	13,319,409	22,791,529	13,319,409
Reserves	17	5,180,438	3,417,092	4,946,729	3,270,281
Accumulated losses	18	(1,040,370)	(3,673,128)	(9,145,380)	(7,583,307)
		26,931,597	13,063,373	18,592,878	9,006,383
Minority interest		6,858,005	3,727,749	-	-
TOTAL EQUITY		33,789,602	16,791,122	18,592,878	9,006,383

Notes to the financial statements are included on pages 27 to 64

Statement of Recognised Income and Expense

HAVILAH RESOURCES NL
STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE FINANCIAL YEAR ENDED 31 JULY 2007

	Notes	Consolidated		Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
Available-for-sale investments:					
Valuation gain taken to equity	17	2,065,000	442,500	2,065,000	442,500
Income tax on items taken directly to equity	17	(619,500)	(132,750)	(619,500)	(132,750)
Net income recognised directly in equity		1,445,500	309,750	1,445,500	309,750
Net loss for the year		(437,044)	(947,516)	(1,562,073)	(311,883)
Total recognised income and expense for the year		1,008,456	(637,766)	(116,573)	(2,133)
Attributable to:					
Equity holders of parent		4,078,258	1,441,803	(116,573)	(2,133)
Minority interest		(3,069,802)	(2,079,569)	-	-
		1,008,456	(637,766)	(116,573)	(2,133)

Notes to the financial statements are included on pages 27 to 64

Cash Flow Statement

HAVILAH RESOURCES NL
CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 JULY 2007

	Notes	Consolidated		Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
Cash flow from operating activities					
Payments to suppliers		(1,357,142)	(2,667,013)	(644,899)	(2,262,313)
Interest and other costs of finance paid		(36,636)	(10,769)	(11,176)	(3,798)
Receipts from customers		69,921	15,305	237,887	32,377
Net cash used in operating activities	27(b)	(1,323,857)	(2,662,477)	(418,192)	(2,233,734)
Cash flow from investing activities					
Interest received		878,886	537,392	319,228	181,468
Payments for exploration and evaluation		(3,392,420)	(2,814,017)	(1,691,117)	(2,160,999)
Government grant received for exploration activities		472,287	191,100	100,000	191,100
Advancement of funds received for exploration expenditure	11	1,000,000	-	-	-
Funding received for exploration expenditure	15	2,000,000	-	2,000,000	-
Loans to subsidiaries		-	-	(2,000,000)	-
Payments for shares in subsidiaries	30	-	-	(1,000)	(3)
Payments for plant and equipment		(388,142)	(305,820)	(83,283)	(22,523)
Net cash used in investing activities		570,611	(2,391,345)	(1,296,172)	(1,810,957)
Cash flow from financing activities					
Proceeds from issue of equity securities		9,509,368	1,299,000	9,509,368	1,299,000
Proceeds from issue of equity securities in subsidiaries		6,411,300	3,000,000	-	-
Payments for share issue costs	16	(78,046)	-	(78,046)	-
Payments for share issue costs in subsidiaries		(372,593)	(119,760)	-	-
Repayment of borrowing		(111,992)	(40,484)	(50,967)	(16,943)
Net cash provided by financing activities		15,358,037	4,138,756	9,380,355	1,282,057
Net decrease/(increase) in cash		14,604,791	(915,066)	7,665,991	(2,762,634)
Cash at beginning of financial year		9,532,040	10,447,106	2,323,547	5,086,181
Cash at end of financial year	27(a)	24,136,831	9,532,040	9,989,538	2,323,547

Notes to the financial statements are included on pages 27 to 64

Notes to the Financial Statements

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. The financial report includes separate financial statements of the company and the consolidated financial statements of the Group. Accounting Standards include Australian equivalents to International Financial Reporting Standards ("A-IFRS"). Compliance with A-IFRS ensures that the financial statements and notes of the company and the Group comply with the International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the directors on 25 October 2007.

Basis of preparation

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

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.

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

(a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purposes entities) controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(b) 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.

(c) Cash and cash equivalents

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

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(d) 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, costs of studies, exploration drilling, trenching and sampling and associated activities. General and administrative costs are only included in the measurement of exploration and evaluation costs only 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 they have 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.

(e) 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 group in respect of services provided by employees up to reporting date.

Contributions to accumulated benefit superannuation plans are expensed when incurred.

(f) Government grants

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

Government grants are not recognised until there is reasonable assurance that the Group 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 or amortised.

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 Group with no future related costs are recognised as income in the period in which it becomes receivable.

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(g) 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 Group 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.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

(h) Financial instruments issued by the company

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.

Transaction costs that relate to the issue of equity instruments are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

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.

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(i) Goods and services tax

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the 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.

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

At each reporting date, the Group 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 Group 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.

(k) 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.

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 Group 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 group 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.

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(k) Income tax (continued)

Tax Consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Havilah Resources is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 3 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(l) Joint ventures

Interests in jointly controlled assets and operations are reported in the financial statements by including the Group'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.

(m) 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.

(n) Payables

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

(o) Plant and equipment

Plant, machinery 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 depreciation:

- Plant and equipment 3-5 years
- Plant and equipment under finance lease 4 years

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(p) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(q) Revenue recognition

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at reporting date
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total costs of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(r) 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 group's estimate of shares that will eventually vest.

(s) Adoption of new and revised accounting standards

In the current year, the entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

Various other Standards and Interpretations were on issue but were not yet effective at the date of authorisation of the financial report. The issue of these Standards and Interpretations do not affect the Group's present policies and operations. The directors anticipate that the adoption of these Standards and Interpretations in future periods will not materially effect the amounts recognised in the financial statements of the Company or the Group but may change the disclosure presently made in the financial statements of the Company or the group.

Notes to the Financial Statements

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
2 LOSS FROM OPERATIONS				
(a) Revenue				
Revenue from consisted of the following items:				
Interest revenue:				
- Bank deposits	878,908	518,342	319,228	191,842
Services	52,384	10,472	164,138	28,800
Other revenue	17,537	4,833	73,655	3,577
	<u>948,829</u>	<u>533,647</u>	<u>557,021</u>	<u>224,219</u>
(b) Other income				
Other income consists of the following:				
Profit from sale of mining tenements	-	762,149	-	867,149
		<u>-</u>		<u>867,149</u>
(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	-	-
- Share-based payments:				
- Equity-settled share-based payments ⁽ⁱ⁾	411,980	273,745	248,332	98,510
- Annual leave expense	58,884	39,893	32,485	24,298
- Other employee benefits	-	99,638	-	24,583
	<u>470,864</u>	<u>419,440</u>	<u>280,817</u>	<u>147,391</u>
Finance lease charges	36,636	10,769	11,176	3,798
Depreciation of non-current assets (Note 9)	114,016	89,708	33,869	27,639
Amortisation of non-current assets (Note 9)	107,049	46,120	38,793	18,787
Exploration expenditure written off (Note 7)	-	941,709	-	941,709
Impairment of receivable:				
- Subsidiaries (Note 10)	-	-	2,000,000	-
(i) Equity-settled share-based payments relate to share options granted during the current year and amortisation of options granted in prior periods 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.				

Notes to the Financial Statements

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
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 (Note 3d)	(483,621)	(37,685)	(771,447)	(132,750)
Total tax income	(483,621)	(37,685)	(771,447)	(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 tax	(920,665)	(985,201)	(2,333,520)	(444,633)
Income tax income calculated at 30%	(276,200)	(295,560)	(700,056)	(133,390)
Share based payments	123,594	82,124	74,500	29,553
Other	29,798	33,772	7,529	4,434
Capital tax losses not recognised	-	42,779	-	42,779
Impairment of receivable - subsidiary	-	-	600,000	-
Revenue tax losses not recognised	1,035,623	1,190,531	469,337	1,018,116
Prior year revenue tax losses recognised	(1,453,891)	(1,108,066)	(1,281,554)	(1,094,242)
Prior year temporary tax difference now recognised	(5,930)			
Revenue tax losses previously recognised no longer brought to account	-	-	-	-
Temporary differences not recognised	-	5,930	-	-
Under provision of income tax in previous years	63,385	10,805	58,797	-
	(483,621)	(37,685)	(771,447)	(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.

Notes to the Financial Statements

3 INCOME TAX (continued)

(b) Recognised deferred tax assets and (liabilities):

	Consolidated					
	Assets		Liabilities		Net	
	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$
Deferred tax assets and (liabilities) are attributable to the following:						
Trade and other receivables	-	-	(30,037)	(31)	(30,037)	(31)
Exploration and evaluation expenditure	-	-	(2,871,598)	(1,637,749)	(2,871,598)	(1,637,749)
Plant and equipment	-	440	-	-	-	440
Other financial assets	-	-	(823,875)	(204,375)	(823,875)	(204,375)
Trade and other payables	31,238	23,402	-	-	31,238	23,402
Provisions	29,633	11,968	-	-	29,633	11,968
Other liabilities	269,340	97,654	-	-	269,340	97,654
Share issue costs	156,626	69,508	-	-	156,626	69,508
	486,837	202,972	(3,725,510)	(1,842,155)	(3,238,673)	(1,639,183)
Less temporary differences not recognised	-	(6,617)	-	-	-	(6,617)
	486,837	196,355	(3,725,510)	(1,842,155)	(3,238,673)	(1,645,800)
Tax value of losses carried forward	3,238,673	1,645,800	-	-	3,238,673	1,645,800
Tax deferred assets/ (liabilities)	3,725,510	1,842,155	(3,725,510)	(1,842,155)	-	-
Set off of tax	(3,725,510)	(1,842,155)	3,725,510	1,842,155	-	-
Net deferred tax assets/(liabilities)	-	-	-	-	-	-

3 INCOME TAX (continued)

	Assets		Company Liabilities		Net	
	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$
Deferred tax assets and (liabilities) are attributable to the following:						
Exploration and evaluation expenditure	-	-	(1,970,251)	(1,424,137)	(1,970,251)	(1,424,137)
Plant and equipment	-	440	-	-	-	440
Other financial assets	-	-	(823,875)	(204,375)	(823,875)	(204,375)
Trade and other payables	11,182	7,913	-	-	11,182	7,913
Provisions	17,035	7,289	-	-	17,035	7,289
Other liabilities	127,654	97,654	-	-	127,654	97,654
Share issue costs	20,617	3,771	-	-	20,617	3,771
	176,488	117,067	(2,794,126)	(1,628,512)	(2,617,638)	(1,511,445)
Tax value of losses carried forward	2,792,999	1,511,445	-	-	2,792,999	1,511,445
Tax deferred assets/ (liabilities)	2,969,487	1,628,512	(2,794,126)	(1,628,512)	175,361	-
Set off of tax	(2,794,126)	(1,628,512)	2,794,126	1,628,512	-	-
Net deferred tax assets/ (liabilities)	175,361	-	-	-	175,361	-

(c) Unrecognised deferred tax assets:

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

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Temporary differences	-	6,617	-	-
Revenue tax losses	1,473,251	1,892,425	906,965	1,719,181
Capital tax losses	48,916	48,916	48,916	48,916
	1,522,167	1,947,958	955,881	1,768,097

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 Group and the Company can utilise the benefits.

Notes to the Financial Statements

3 INCOME TAX (continued)

(d) Movement in temporary differences and tax losses

2007	Consolidated			
	Balance 1 August 2006	Recognised in equity	Recognised in income (Note 3a)	Balance 31 July 2007
	\$	\$	\$	\$
Trade and other receivables	(31)	-	(30,006)	(30,037)
Exploration and evaluation expenditure	(1,637,749)	-	(1,233,849)	(2,871,598)
Plant and equipment	440	-	(440)	-
Other financial assets	(204,375)	(619,500)	-	(823,875)
Trade and other payables	23,401	-	7,837	31,238
Provisions	11,968	-	17,665	29,633
Other liabilities	97,654	-	171,686	269,340
Share issue costs	69,508	135,192	(48,074)	156,626
	(1,639,184)	(484,308)	(1,115,181)	(3,238,673)
Less temporary differences not recognised	(6,617)	687	5,930	-
	(1,645,801)	(483,621)	(1,109,251)	(3,238,673)
Tax value of losses carried forward	1,645,801	-	1,592,872	3,238,673
	-	(483,621)	483,621	-

2006	Consolidated			
	Balance 1 August 2005	Recognised in equity	Recognised in income (Note 3a)	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)

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

2007	Company			
	Balance 1 August 2006	Recognised in equity	Recognised in income (Note 3a)	Balance 31 July 2007
	\$	\$	\$	\$
Exploration and evaluation expenditure	(1,424,137)	-	(546,114)	(1,970,251)
Plant and equipment	440	-	(440)	-
Other financial assets	(204,375)	(619,500)	-	(823,875)
Trade and other payables	7,913	-	3,269	11,182
Provisions	7,289	-	9,746	17,035
Other liabilities	97,654	-	30,000	127,654
Share issue costs	3,771	23,414	(6,568)	20,617
Tax value of losses carried forward	1,511,445	-	1,281,554	2,792,999
	-	(596,086)	771,447	175,361

2006	Company			
	Balance 1 August 2005	Recognised in equity	Recognised in income (Note 3a)	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	-

(f) Tax consolidation

Relevance of tax consolidation to the Group

The company and its wholly-owned Australia resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Havilah Resources NL. The members of the tax-consolidated group are identified at note 29.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing arrangement with the head entity. Under the terms of the tax funding arrangement, Havilah Resources NL and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding agreement.

Notes to the Financial Statements

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
4 CURRENT ASSETS – CASH AND CASH EQUIVALENTS				
Cash on hand	4	4	4	4
Cash at bank	1,111,595	311,537	247,218	152,957
Cash on deposit	23,025,232	9,220,499	9,742,316	2,170,586
	<u>24,136,831</u>	<u>9,532,040</u>	<u>9,989,538</u>	<u>2,323,547</u>
5 CURRENT TRADE AND OTHER RECEIVABLES				
Trade debtors	168,236	3,755	5,445	3,755
Amounts due from subsidiaries	-	-	74,707	38,638
GST recoverable	81,258	74,235	4,311	20,886
Accrued interest receivable	125	103	-	-
	<u>249,619</u>	<u>78,093</u>	<u>84,463</u>	<u>63,279</u>
6 CURRENT OTHER ASSETS				
Prepayments	81,730	49,082	34,060	27,458
7 NON-CURRENT EXPLORATION AND EVALUATION EXPENDITURE				
Cost brought forward	6,131,662	4,538,869	5,417,454	4,492,266
Expenditure incurred during the year	3,846,790	2,773,256	1,637,204	2,105,651
Less licenses sold	-	(238,751)	-	(238,751)
Less exploration expenditure written off	-	(941,712)	-	(941,712)
Cost carried forward	<u>9,978,452</u>	<u>6,131,662</u>	<u>7,054,658</u>	<u>5,417,454</u>

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.

On July 2006 Geothermal Resources Limited (a subsidiary of the Company) was 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 \$322,287 has 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	
	2007	2006	2007	2006
	\$	\$	\$	\$
8 OTHER FINANCIAL ASSETS				
<i>At cost:</i>				
Shares in controlled entities – listed ⁽ⁱ⁾	-	-	260,028	260,028
Shares in controlled entities – unlisted	-	-	3,000	2,000
Options for shares in other entity	17,567	17,567	17,567	17,567
<i>At fair value:</i>				
Available-for-sale financial assets:				
Shares in other entity ⁽ⁱⁱ⁾	3,490,833	1,425,833	3,490,833	1,425,833
	3,508,400	1,443,400	3,771,428	1,705,428

(i) Shares in listed controlled entities relate to the Company's holding in Geothermal Resources Limited and Curnamona Energy Limited (2006: Geothermal Resources Limited and 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 2007), compared to the book value are set out below:

	2007		2006	
	Carrying value	Market value	Carrying value	Market value
	\$	\$	\$	\$
Curnamona Energy Limited	155,025	53,400,005	155,025	11,700,001
Geothermal Resources Limited	105,003	29,610,004	105,003	6,195,001
	260,028	83,010,009	260,028	17,895,002

(ii) Shares in other entity relates to a holding in Monax Mining Limited ("Monax"). This holding has been valued at Monax's closing share price on the Australian Stock Exchange as at 31 July 2007. Subsequent to 31 July 2007 the share price has fallen. If the shares were recorded at market price at the date of the report, the value would be decreased by \$590,000.

	Consolidated		
	Plant and Equipment at cost	Equipment under finance lease at cost	Total
	\$	\$	\$
Gross carrying amount			
Balance at 1 August 2005	411,057	81,543	492,600
Additions	146,437	388,170	534,607
Balance at 1 August 2006	557,494	469,713	1,027,207
Additions	388,142	240,589	628,731
Balance at 31 July 2007	945,636	710,302	1,655,938
Accumulated depreciation/amortisation			
Balance at 1 August 2005	130,897	24,415	155,312
Depreciation/amortisation expense	89,708	46,120	135,828
Balance at 1 August 2006	220,605	70,535	291,140
Depreciation/amortisation expense	114,016	107,049	221,065
Balance at 31 July 2007	334,621	177,584	512,205
Net Book Value			
At 31 July 2006	336,889	399,178	736,067
At 31 July 2007	611,015	532,718	1,143,733

9 PLANT AND EQUIPMENT (continued)

	Company		
	Plant and Equipment at cost	Equipment under finance lease at cost	Total
	\$	\$	\$
Gross carrying amount			
Balance at 1 August 2005	217,955	41,603	259,558
Additions	19,517	210,685	230,202
Balance at 1 August 2006	237,472	252,288	489,760
Additions	83,283	-	83,283
Transfer to subsidiary	-	(49,685)	(49,685)
Balance at 31 July 2007	320,755	202,603	523,358
Accumulated depreciation/amortisation			
Balance at 1 August 2005	127,231	23,667	150,898
Depreciation/amortisation expense	27,639	18,787	46,426
Balance at 1 August 2006	154,870	42,454	197,324
Depreciation/amortisation expense	33,869	38,793	72,662
Transfer to subsidiary	-	(9,339)	(9,339)
Balance at 31 July 2007	188,739	71,908	260,647
Net Book Value			
At 31 July 2006	82,602	209,834	292,436
At 31 July 2007	132,016	130,695	262,711

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
10 OTHER RECEIVABLES				
Amount due from subsidiaries	-	-	2,000,000	-
Impairment of receivables	-	-	(2,000,000)	-
	-	-	-	-
11 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES				
Trade payables ^(a)	499,596	38,414	40,991	32,316
Accruals	166,782	102,274	86,312	48,653
Amounts payable to related entities of key management personnel ^(a)	110,895	266,363	47,674	179,058
Other ^(b)	1,000,000	-	-	-
	1,777,273	407,051	174,977	260,027
(a) The average credit period on purchase is 30 days. No interest is charged on payables.				
(b) Amount represents funds received in advance for exploration activities from Glencore International AG (refer to Note 32 to the financial statements for further details).				
12 CURRENT LIABILITIES – BORROWINGS				
Secured:				
Finance lease liability at amortised cost (Note 29)	139,849	99,176	38,870	54,967
Secured by the assets leased.				

Notes to the Financial Statements

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
13 CURRENT PROVISIONS				
Employee benefits – annual leave	98,777	39,893	56,783	24,298
14 NON-CURRENT LIABILITIES – BORROWINGS				
Secured:				
Finance lease liability at amortised cost (Note 29)	395,464	307,589	83,198	158,414
Secured by the assets leased.				
15 NON-CURRENT LIABILITIES - OTHER				
Deferred income (government grants received for exploration activities)	897,800	325,513	425,513	325,513
Other ^(a)	2,000,000	-	2,000,000	-
	<u>2,897,800</u>	<u>325,513</u>	<u>2,425,513</u>	<u>325,513</u>
(a) Amount represents funds received for exploration activities from Heilongjiang Resources Limited (refer to Note 32 to the financial statements for further details).				
16 ISSUED CAPITAL				
79,940,246 fully paid ordinary shares (2006: 72,596,273)	22,791,529	13,319,409	22,791,529	13,319,409
	2007		2006	
	Number	\$	Number	\$
Balance at beginning of the financial year	72,596,273	13,319,409	71,336,273	12,020,409
Issue of shares pursuant to prospectus dated 28 February 2007 at \$1.30	7,261,627	9,440,115	-	-
Costs associated with issue of shares	-	(78,046)	-	-
Related income tax expense (Note 3d)	-	23,414	-	-
Exercise of listed options	32,346	51,753	-	-
Issue of shares on exercise of employee options	50,000	17,500	60,000	15,000
Transfer from share option reserve for employee options exercised (Note 17)	-	17,384	-	-
Issue of shares to institutional investors at \$1.07	-	-	1,200,000	1,284,000
Balance at end of the financial year	<u>79,940,246</u>	<u>22,791,529</u>	<u>72,596,273</u>	<u>13,319,409</u>

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 granted under the employee share option plan

Options have been issued to key management personnel and employees (refer Note 28 to the financial statements for details).

Other share options on issue

As a result of rights issue on 28 February 2007, the company issued 3,630,814 share options on the basis of one option for two new shares. Share options are exercisable at an exercise price of \$1.60 at any time up to 30 April 2010. As at 30 June 2007 the number of share options outstanding is 3,598,468. The share options carry no rights to dividends and no voting rights.

Notes to the Financial Statements

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
17 RESERVES				
Equity – settled benefits reserve ^(a)	3,425,188	3,107,342	3,191,479	2,960,531
Available-for-sale revaluation reserve ^(b)	1,755,250	309,750	1,755,250	309,750
	<u>5,180,438</u>	<u>3,417,092</u>	<u>4,946,729</u>	<u>3,270,281</u>

(a) Equity – settled benefits reserve

Balance at the beginning of the year	3,107,342	2,918,077	2,960,531	2,862,021
Share based payments	342,959	195,083	248,332	98,510
Transfer to issue capital on exercise of employee options (Note 16)	(17,384)	-	(17,384)	-
Decrease due to change in ownership interest	(7,729)	(5,818)	-	-
Balance at the end of the financial year	<u>3,425,188</u>	<u>3,107,342</u>	<u>3,191,479</u>	<u>2,960,531</u>

(b) The 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 28 to the financial statements.

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Available-for-sale revaluation reserve				
Balance at the beginning of the year	309,750	-	309,750	-
Valuation gain recognised	2,065,000	442,500	2,065,000	442,500
Deferred tax arising on revaluation	(619,500)	(132,750)	(619,500)	(132,750)
Balance at the end of the financial year	<u>1,755,250</u>	<u>309,750</u>	<u>1,755,250</u>	<u>309,750</u>

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	
	2007	2006	2007	2006
	\$	\$	\$	\$
18 ACCUMULATED LOSSES				
Balance at the beginning of the year	(3,673,128)	(4,805,181)	(7,583,307)	(7,271,424)
Net (loss)/profit	2,632,758	1,132,053	(1,562,073)	(311,883)
Balance at the end of the financial year	<u>(1,040,370)</u>	<u>(3,673,128)</u>	<u>(9,145,380)</u>	<u>(7,583,307)</u>

19 KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group 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)

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

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Short-term employee benefits	666,369	572,260	295,424	288,304
Post employment benefits	43,575	37,464	-	-
Share-based payments (i)	30,802	111,061	-	-
	740,746	720,785	295,424	288,304

- (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 Group 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 group 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 on market practice, duties, and accountability. Independent external advice is sought when required. Given the nature of the group's operations, compensation of key management personnel is not linked to the performance of the group.

The group 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 28 to the financial statements provides further information on 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.

Notes to the Financial Statements

19 KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

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

2007	Short term employee benefits	Post employment Superannuation	Share-based payments Options	Total
	Consulting Fees and Salary \$			
K R Johnson				
From Havilah Resources NL	137,412	-	-	137,412
From Curnamona Energy Limited	61,860	-	-	61,860
From Geothermal Resources Limited	60,000	-	-	60,000
Total	259,272	-	-	259,272
C W Giles				
From Havilah Resources NL	137,412	-	-	137,412
From Curnamona Energy Limited	61,860	-	-	61,860
From Geothermal Resources Limited	60,000	-	-	60,000
Total	259,272	-	-	259,272
K G Williams				
From Havilah Resources NL	20,600	-	-	20,600
From Curnamona Energy Limited	20,000	-	-	20,000
From Geothermal Resources Limited	20,000	-	-	20,000
Total	60,600	-	-	60,600
M H Randell				
From Havilah Resources NL	-	-	-	-
From Curnamona Energy Limited	87,225	43,575	30,802	161,602
From Geothermal Resources Limited	-	-	-	-
Total	87,225	43,575	30,802	161,602
Total	666,369	43,575	30,802	740,746

2006	Short term employee benefits	Post employment Superannuation	Share-based payments Options	Total
	Consulting Fees and Salary \$			
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

Notes to the Financial Statements

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
20 REMUNERATION OF AUDITOR				
Audit and review of the financial reports	79,600	80,350	36,100	46,500
Tax services	7,400	-	7,400	-
Investigating accountants report	-	8,000	-	-
	87,000	88,350	43,500	46,500

The auditor of Havilah Resources NL is Deloitte Touche Tohmatsu.

21 RELATED PARTY DISCLOSURES

a) Key management personnel compensation

Details of key management compensation are disclosed in Note 19 to the financial statements.

b) Transactions with key management personnel and the related entities

During the year, related entities of certain key management personnel provided administration services and drilling services to the group and Company on normal commercial terms and conditions totaling consolidated \$1,092,896 and Company \$757,188 (2006: Consolidated \$994,615 and Company \$739,388).

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

	Type of Service	Amount		Terms and Conditions
		2007 \$	2006 \$	
K R Johnson	Administration	163,217	158,112	\$13,600 per month for the provision of office space, general administration and accounting services and arrangement expires on 31 March 2008.
K R Johnson	Administration	16,700	7,968	Preparation and publishing of prospectus at hourly rates varying from \$75 to \$130
K R Johnson	Drilling plant hire and services	553,914	553,800	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	23,357	19,508	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		Terms and Conditions
		2007 \$	2006 \$	
K R Johnson	Administration	168,386	163,622	\$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 expiring on 14 April 2007. The agreement has been extended for a further two years and arrangement expires on 14 April 2009.
K R Johnson	Administration	2,025	7,768	Preparation and publishing of prospectus and annual report at hourly rates varying from \$75 to \$130

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

	Type of Service	Amount		Terms and Conditions
		2007 \$	2006 \$	
K R Johnson	Administration	163,272	54,400	\$13,600 per month for the provision of office space, general administration and accounting services expiring on 21 March 2008
K R Johnson	Administration	-	29,437	Preparation and publishing of prospectus at hourly rates varying from \$75 to \$130
K R Johnson	Administration	2,025	-	Preparation and publishing of 2006 annual report at hourly rates varying from \$50 to \$75

The amount unpaid at year-end is disclosed in Note 11 of the financial statements.

Notes to the Financial Statements

21 RELATED PARTY DISCLOSURES (continued)

c) Key management personnel equity holdings

Fully paid ordinary shares issued by Havilah Resources NL

2007	Balance at 31 July 2006 Number	Granted as result of Rights Issue	Net other changes Number	Balance at 31 July 2007 Number	Balance held Nominally Number
K R Johnson	2,746,470	1,124	24,622	2,772,216	-
C W Giles	8,385,496	13,000	138,651	8,537,147	-
K G Williams	107,159	57,138	(46,422)	117,875	-

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	-

Options issued by Havilah Resources NL

2007	Balance 31 July 2006 Number	Granted as compensation Number	Granted as result of Rights Issue	Exercised during the year Number	Balance 31 July 2007 Number	Balance vested at 31 July 2007 Number	Vested and exercisable Number	Vested but not exercisable Number	Options vested during year Number
K R Johnson	1,650,000	-	562	-	1,650,000	1,650,000	1,650,000	-	-
C W Giles	1,650,000	-	6,500	-	1,650,000	1,650,000	1,650,000	-	-
K G Williams	220,000	-	28,569	-	220,000	220,000	220,000	-	-

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	-	-

Fully paid ordinary shares issued by Curnamona Energy Limited

2007	Balance 31 July 2006 Number	Net other changes Number	Balance at 31 July 2007 Number	Balance held Nominally Number
K R Johnson	300,000	-	300,000	-
C W Giles	312,600	20,000	332,600	-
K G Williams	59,600	-	59,600	-
M H Randell	32,000	-	32,000	-

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	-

21 RELATED PARTY DISCLOSURES (continued)

c) Key management personnel equity holdings (continued)

Options issued by Curnamona Energy Limited

2007	Balance 31 July 2006 Number	Granted as compensation Number	Exercised during the year Number	Balance 31 July 2007 Number	Balance vested at 31 July 2007 Number	Vested and exercisable Number	Vested but not exercisable Number	Options vested during year Number
K R Johnson	1,500,000	-	-	1,500,000	1,500,000	1,500,000		
C W Giles	1,500,000	-	-	1,500,000	1,500,000	1,500,000		
K G Williams	200,000	-	-	200,000	200,000	200,000		
M H Randell	500,000			500,000	200,000	200,000		

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	1,500,000	-	-	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

(i) The options were held in escrow until 17 April 2007.

Fully paid ordinary shares issued by Geothermal Resources Limited

2007	Balance 31 July 2006 Number	Net other changes Number	Balance at 31 July 2007 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	-

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	-

Options issued by Geothermal Resources Limited

2007	Balance 31 July 2006 Number	Granted as compensation Number	Exercised during the year Number	Balance 31 July 2007 Number	Balance vested at 31 July 2007 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		
C W Giles (i)	750,000	-	-	750,000	750,000	750,000		
K G Williams (i)	100,000	-	-	100,000	100,000	100,000		

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.

21 RELATED PARTY DISCLOSURES (continued)

d) Transactions with subsidiaries

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.

22 COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

a) Exploration Expenditure Commitments

The group 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 group 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 group's and the Company's obligations, are approximately:

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
No later than one year	2,618,750	1,766,666	2,153,750	1,766,666
Later than one year but not later than two years	2,618,750	1,926,666	2,153,750	1,926,666
Later than two years but not later than five years	6,926,250	9,734,996	6,461,250	9,734,996
	12,163,750	13,428,328	10,768,750	13,428,328

The group 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 group 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 group, 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 2007, an unconditional irrevocable bank guarantee for \$100,000 had been provided.

22 COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES (continued)

b) Management and Service Agreements

The group 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 2007, the Company had a contingent liability in relation to these agreements of \$171,645 (2006: \$171,765) and the group had a contingent liability in relation to these agreements of \$552,615 (2006: \$959,655). 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 2007 are set out below.

Director	Type	Details	Term
K R Johnson	Consultancy	Minimum of 1600 hours per annum at \$137,412 per annum	Two years from 18 March 2007
C W Giles	Consultancy	Minimum of 1600 hours per annum at \$137,412 per annum	Two years from 18 March 2007

Details of management and service agreements entered into by the Curnamona Energy Limited and outstanding as at 31 July 2007 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 2007	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 2007	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 2007 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 2006 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 group and the Company have interests. The group 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 group and the Company or its projects.

Notes to the Financial Statements

23 EARNINGS PER SHARE

	2007 Cents per Share	2006 Cents per Share
Basic earnings per share – from continuing operations	3.5	1.6
Diluted earnings per share – from continuing operations	3.5	1.6

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:

	2007 \$	2006 \$
Earnings/(loss)	2,632,758	1,132,053

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.

	2007 Number	2006 Number
Weighted average number of ordinary shares	75,166,715	72,346,749

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.

24 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 group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the group'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 tables details the exposure to interest rate risk at the reporting date. All other financial assets and liabilities of the company and group are non interest bearing.

CONSOLIDATED			Fixed Interest Rate Maturity				Total \$
2007	Weighted average interest rate %	Variable interest rate maturity \$	Less than 1 year \$	1 to 2 years \$	2 to 3 years \$	3 to 4 years \$	
Financial Assets							
Cash at bank	3.15	1,111,595	-	-	-	-	1,111,595
Bank deposits	6.23	-	23,025,232	-	-	-	23,025,232
Total		1,111,595	23,025,232	-	-	-	24,136,827
Financial Liabilities							
Finance lease liability	7.80	-	139,849	165,816	162,608	67,040	535,313
Total		-	139,849	165,816	162,608	67,040	535,313

24 FINANCIAL INSTRUMENTS (continued)

c) Interest Rate Risk (continued)

CONSOLIDATED			Fixed Interest Rate Maturity				Total \$
2006	Weighted average interest rate %	Variable interest rate maturity \$	Less than 1 year \$	1 to 2 years \$	2 to 3 years \$	3 to 4 years \$	
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

COMPANY			Fixed Interest Rate Maturity				Total \$
2007	Average interest rate %	Variable interest rate maturity \$	Less than 1 year \$	1 to 2 years \$	2 to 3 years \$	3 to 4 years \$	
Financial Assets							
Cash at bank	3.15	247,218	-	-	-	-	247,218
Bank deposits	6.23	-	9,742,316	-	-	-	9,742,316
Total		247,218	9,742,316	-	-	-	9,989,534
Financial Liabilities							
Finance lease liability	7.54	-	38,870	41,908	41,290	-	122,068
Total		-	38,870	41,908	41,290	-	122,068

COMPANY			Fixed Interest Rate Maturity				Total \$
2006	Average interest rate %	Variable interest rate maturity \$	Less than 1 year \$	1 to 2 years \$	2 to 3 years \$	3 to 4 years \$	
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

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.

f) Liquidity Risk Management

The group 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.

Notes to the Financial Statements

25 SEGMENT INFORMATION

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

26 COMPANY STATUS

Havilah Resources NL is a public company incorporated and operating in Australia. Havilah Resources NL's registered office and its principal place of business are as follows:

Registered office

63 Conyngham Street
Glenside
South Australia 5065

Principal place of business

63 Conyngham Street
Glenside
South Australia 5065

27 NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of cash

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
Cash on hand	4	4	4	4
Cash at bank	1,111,595	311,537	247,218	152,957
Cash on deposit	23,025,232	9,220,499	9,742,316	2,170,586
	<u>24,136,831</u>	<u>9,532,040</u>	<u>9,989,538</u>	<u>2,323,547</u>

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

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
Loss for the year	(437,044)	(947,516)	(1,562,073)	(311,883)
Depreciation and amortisation	221,016	135,828	72,662	46,426
Equity settled share based payments	411,980	273,745	248,332	98,510
Interest revenue	(878,908)	(518,342)	(319,228)	(191,842)
Profit on sale of exploration tenements	-	(762,149)	-	(867,149)
Capitalised exploration expenditure written off	-	941,709	-	941,709
Impairment of receivable	-	-	2,000,000	-
<i>Increase/(decrease) in assets:</i>				
Trade and other receivables	(71,504)	193,806	(21,184)	182,348
Other assets	(32,648)	(9,771)	(6,602)	(4,430)
Deferred tax assets	(483,621)	(65,174)	(771,447)	(132,750)
<i>Increase/(decrease) in liabilities:</i>				
Trade and other payables	(112,012)	(1,944,506)	(91,137)	(2,018,971)
Provisions	58,884	39,893	32,485	24,298
Net cash used in operating activities	<u>(1,323,857)</u>	<u>(2,662,477)</u>	<u>(418,192)</u>	<u>(2,233,734)</u>

During the year the group and the Company acquired equipment to the value of \$283,456 and \$Nil, respectively (2006: \$388,170 and \$210,685, respectively) through finance leases. These amounts are not reflected in the statement of cash flows.

28 SHARE OPTION PLANS

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

Directors' share option plans

Companies within the group have issued options to directors. Details of number issued to each director are set out in Note 19 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.

Employee Share Option Plans

The group 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

28 SHARE OPTION PLANS (continued)

Employee Share Option Plans (continued)

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 15 July 2005	3,520,000	15 July 2005	15 July 2010	1.18	0.81

Weighted average remaining contractual life of share options under the directors' share option plan is 1,080 days (2006: 1,445).

The options vest immediately from grant date.
The options were priced using the Black-Scholes model.

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	-
Risk free interest rate	6%

Notes to the Financial Statements

28 SHARE OPTION PLANS (continued)

Havilah Resources NL Directors' share option plan (continued)

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:

	2007		2006	
	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	3,520,000	1.18
Granted during the financial year	-	-	-	-
Forfeited during the financial year	-	-	-	-
Exercised during the financial year	-	-	-	-
Expired during the financial year	-	-	-	-
Balance at end of financial year (i)	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) 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	120,000	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
Issued 19 October 2006	90,000	19 October 2006	19 October 2011	0.75	0.30
Issued 12 February 2007	275,000	12 February 2007	12 February 2012	1.78	0.47
Issued 13 April 2007	100,000	13 April 2007	13 April 2012	2.12	1.37
Issued 8 June 2007	200,000	8 June 2007	8 June 2012	2.31	1.07

Weighted average remaining contractual life of share options under the directors' share option plan is 1,360 days (2006: 1,725).

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	19 October 2006	12 February 2007	13 April 2007	8 June 2007
Grant date share price	\$0.16	\$0.86	\$1.06	\$0.77	\$0.68	\$1.41	\$2.59	\$2.10
Exercise price	\$0.25	\$1.02	\$1.06	\$0.96	\$0.75	\$1.78	\$2.12	\$2.31
Expected volatility	74.4%	97.9%	114.3%	74.6%	65.9%	80.34%	83.54%	83.77%
Option life	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years
Dividend yield	-	-	-	-	-	-	-	-
Risk free interest	6%	6%	6%	6%	6%	6%	6%	6%

Notes to the Financial Statements

28 SHARE OPTION PLANS (continued)

Havilah Resources NL (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:

	2007		2006	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the financial year	660,000	0.87	420,000	0.62
Granted during the financial year	675,000	1.83	300,000	0.99
Forfeited during the financial year	-	-	-	-
Exercised during the financial year	(50,000)	0.35	(60,000)	(0.25)
Expired during the financial year	-	-	-	-
Balance at end of financial year ⁽ⁱ⁾	1,285,000	1.37	660,000	0.82
Exercisable at end of financial year	385,000	1.18	120,000	0.84

(i) Balance at end of the financial year

Grant date	Number	Exercise price	Expiry date
8 October 2003	120,000	\$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
19 October 2006	90,000	\$0.75	19 October 2011
12 February 2007	275,000	\$1.78	12 February 2012
13 April 2007	100,000	\$2.12	13 April 2012
8 June 2007	200,000	\$2.31	8 June 2012
	<u>1,285,000</u>		

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

Weighted average remaining contractual life of share options under the directors' share option plan is 988 days (2006: 1,353).

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.

Notes to the Financial Statements

28 SHARE OPTION PLANS (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:

	2007		2006	
	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	3,200,000	0.25
Granted during the financial year	-	-	-	-
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
Issued 19 October 2006	250,000	19 October 2006	19 October 2011	0.58	0.38
Issued 8 June 2007	200,000	8 June 2007	8 June 2012	1.81	0.95

Weighted average remaining contractual life of share options under the employees' share option plan is 1,324 days (2006: 1,689).

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	19 October 2006	8 June 2007
Grant date share price	\$0.62	\$0.44	\$0.40	\$0.39	\$0.66	\$1.52
Exercise price	\$0.62	\$0.55	\$0.55	\$0.55	\$0.58	\$1.81
Expected volatility	68.5%	90.4%	91.0%	90.2%	100.5%	111.1%
Option life	5 years	5 years	5 years	5 years	5 years	5 years
Dividend yield	-	-	-	-	-	-
Risk free interest rate	6%	6%	6%	6%	6%	6%

Notes to the Financial Statements

28 SHARE OPTION PLANS (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:

	2007		2006	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the financial year	950,000	0.61	-	-
Granted during the financial year	450,000	1.13	950,000	0.59
Exercised during the financial year	(20,000)	(0.57)	-	-
Forfeited during the financial year	(100,000)	(0.59)	-	-
Expired during the financial year	-	-	-	-
Balance at end of financial year ⁽ⁱ⁾	1,280,000	0.79	950,000	0.59
Exercisable at end of financial year	430,000	0.55	190,000	0.59

(i) Balance at end of the financial year:

Grant date	Number	Exercise price	Expiry date
29 August 2005	700,000	\$0.62	29 August 2010
20 February 2006	40,000	\$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
19 October 2006	240,000	\$0.58	19 October 2011
8 June 2007	200,000	\$1.81	8 June 2012
	1,280,000		

Geothermal Resources Limited

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

Weighted average remaining contractual life of share options under the directors' share option plan is 1,329 days (2006: 1,694).

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	-
Risk free interest rate	6%

(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.

Notes to the Financial Statements

28 SHARE OPTION PLANS (continued)

Geothermal Resources Limited Employee's 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 19 October 2006	200,000	19 October 2006	19 October 2011	0.31	0.013
Issued 12 February 2007	25,000	12 February 2007	12 February 2012	0.36	0.019

Weighted average remaining contractual life of share options under the directors' share option plan is 1,554 days (2006: nil).

Inputs to the model

	19 October 2006	12 February 2007
Grant date share price	\$0.26	\$0.35
Exercise price	\$0.31	\$0.36
Expected volatility	78.97%	86.9%
Option life	60 months	60 months
Dividend yield	-	-
Risk free interest rate	6%	6%

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:

	2007		2006	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the financial year	1,600,000	0.60	-	-
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 ⁽ⁱ⁾	1,600,000	0.60	1,600,000	0.60
Exercisable at end of financial year	1,600,000	0.60	1,600,000	0.60

Outstanding options as at 31 July 2007 are held in escrow until 21 March 2008.

(i) Balance at end of the financial year

Grant date	Number	Exercise price	Expiry date
10 August 2005	1,600,000	0.60	21 March 2011

Notes to the Financial Statements

28 SHARE OPTION PLANS (continued)

Geothermal Resources Limited Employee's share option plan (continued)

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

	2007		2006	
	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	225,000	0.32	-	-
Forfeited during the financial year	-	-	-	-
Exercised during the financial year	-	-	-	-
Expired during the financial year	-	-	-	-
Balance at end of financial year ⁽ⁱ⁾	225,000	0.32	-	-
Exercisable at end of financial year	45,000	0.32	-	-

(i) Balance at end of the financial year

Grant date	Number	Exercise price	Expiry date
19 October 2006	200,000	0.31	19 October 2011
12 February 2007	25,000	0.36	12 February 2012
	<u>225,000</u>		

Notes to the Financial Statements

29 LEASES

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

	Consolidated			
	Minimum future lease payments	Minimum future lease payments	Present value of minimum future lease payment	Present value of minimum future lease payment
	2007 \$	2006 \$	2007 \$	2006 \$
Not later than one year	174,968	121,809	139,849	99,176
Later than one year and not later than 5 years	432,763	349,196	395,464	307,589
Minimum lease payments	607,731	471,005	535,313	406,765
Less future finance charges	(72,418)	(64,246)	-	-
Present value of minimum lease payments	535,313	406,759	535,313	406,765

Included in the financial statements as:

Current interest bearing liabilities (Note 12)	139,849	99,176
Non current interest liabilities (Note 14)	395,464	307,589
Total	535,313	406,765

	Company			
	Minimum future lease payments	Minimum future lease payments	Present value of minimum future lease payment	Present value of minimum future lease payment
	2007 \$	2006 \$	2007 \$	2006 \$
Not later than one year	46,759	67,600	38,870	54,967
Later than one year and not later than 5 years	89,624	179,915	83,198	158,414
Minimum lease payments	136,383	247,515	122,068	213,381
Less future finance charges	(14,315)	(34,134)	-	-
Present value of minimum lease payments	122,068	213,381	122,068	213,381

Included in the financial statements as:

Current interest bearing liabilities (Note 12)	38,870	54,967
Non current interest liabilities (Note 14)	83,198	158,414
Total	122,068	213,381

Notes to the Financial Statements

30 SUBSIDIARIES

Name of entity	Country of incorporation	Ownership interest	
		2007 %	2006 %
Parent entity			
Havilah Resources NL ⁽ⁱ⁾	Australia		
Subsidiaries			
Kalkaroo Copper Pty Ltd ⁽ⁱ⁾	Australia	100%	100%
Mutooroo Metals Pty Ltd ⁽ⁱ⁾	Australia	100%	100%
Benagerie Gold Pty Ltd ^{(i) (ii)}	Australia	100%	-
Curnamona Energy Limited ^(iv)	Australia	48%	50.6%
Oban Energy Limited ^{(iii) (iv)}	Australia	48%	-
Geothermal Resources Limited	Australia	63.64%	63.64%

- (i) These companies are members of the tax-consolidated group.
- (ii) This company was incorporated on 9 October 2006 by issuing of ordinary shares to Havilah Resources NL for \$1,000
- (iii) This company was incorporated on 7 November 2006 by issuing of ordinary shares to Curnamona Energy Limited for \$1,000.
- (iv) Havilah Resources NL is able to exercise control over Curnamona Energy Limited and its subsidiary (Oban Energy Limited), as directors of Curnamona Energy Limited and Havilah Resources NL are the same.

31 SIGNIFICANT ITEMS

Included in the income statement are the following significant items:

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
Gain from minority on issue of shares	2,811,812	1,837,868	-	-
Loss on issue of shares	(2,811,812)	(1,837,868)	-	-

Gain/(loss) from issuance of shares by subsidiaries

During the year ended 31 July 2007 Curnamona Energy Limited issued 3,200,000 ordinary shares to institutional investors. Havilah Resources NL's interest in the company decreased from 50.6% to 48% resulting in a gain attributable to the Company's interest in Curnamona Energy Limited of \$2,811,812 and a corresponding loss by minority interests.

During the year ended 31 July 2006 Geothermal Resources 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% resulting in a gain attributable to the Company's interest in Geothermal Resources Limited of \$1,837,860 and a corresponding loss by minority interests.

32 JOINT VENTURE ASSETS

The group and Company's interests in unincorporated joint venture assets were as follows:

	<u>2007</u>	<u>2006</u>
Eurinella Joint Venture	70%	70%
Mutooroo Joint Venture ⁽ⁱ⁾	Decreasing to 50%*	-
Kalkaroo Joint Venture ⁽ⁱⁱ⁾	Decreasing to 84%*	-

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 \$738,482 (2006: \$164,087) relating to the above joint ventures. There are no other assets or liabilities in the joint ventures.

* To commence once the feasibility study has been completed.

(i) Mutooroo Joint Venture

On 20 October 2006 Havilah Resources and Mutooroo Metals Pty Ltd ("Mutooroo") formed a joint venture with Heilongjiang Resources Limited ("HJR"), a Chinese minerals group, to carry out a feasibility study on the Mutooroo copper-cobalt deposit near Broken Hill and then develop the mine.

The feasibility study, which will be funded by HJR for an initial investment of \$3 million (as at 31 July 2007 \$2 million has been received) and thereafter HJR will progressively fund 100% of the mine development until production, for a maximum share in the joint venture of 50%.

Havilah and HJR will review the project at the completion of the feasibility study and within two months make a decision on developing the project. If both parties agree to proceed to development:

- a) HJR will finance capital expenditure for the mine development and initial working capital as defined in the feasibility study.
- b) HJR will reimburse Havilah previous project expenditure of \$0.5 million.
- c) Mutooroo will offer the mining permit as security for the project financing if required.
- d) HJR will reimburse Havilah the balance of its previous project expenditure of \$1 million after all development capital is invested.

If HJR elects not to participate or fails to provide full Project funding, the Company will reimburse HJR the funds that it has advanced for the feasibility study and project development from 10% of future profits from the mining operation at Mutooroo, until the total amount invested by HJR is fully repaid.

(ii) Kalkaroo Joint Venture

On 29 June 2007 Havilah Resources NL and Kalkaroo Copper Pty Ltd ("Kalkaroo") signed an agreement with Glencore International AG ("Glencore") whereby Glencore would fully fund \$14 million of exploration expenditure (feasibility study) on the Kalkaroo Copper Project and arrange project financing for the subsequent mining joint venture thereby earning a 14% participating interest in the joint venture. As at 31 July 2007 \$1 million has been received from Glencore and no amount had been spent.

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 company and 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

25 October 2007
Adelaide

Auditor's Independence Declaration



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

25 October 2007

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 2007, 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

J J Handel
Partner
Chartered Accountant

Independent Auditor's Report to the members of Havilah Resources NL

We have audited the accompanying financial report of Havilah Resources NL, which comprises the balance sheet as at 31 July 2007, and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 24 to 64.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 to the financial statements, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

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

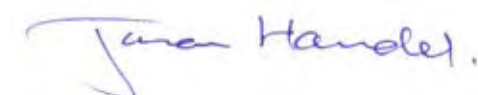
Auditor's Opinion

In our opinion:

- (a) 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 2007 and of their performance for the year ended on that date; and
 - b. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1 to the financial statements.



DELOITTE TOUCHE TOHMATSU



J J Handel
Partner
Chartered Accountants
Adelaide, 25 October 2007

Liability limited by a scheme approved under Professional Standards Legislation.

Member of
Deloitte Touche Tohmatsu

Additional Stock Exchange Information

Information Relating to Shareholders at 23 October 2007

Substantial Shareholders

The names of substantial shareholders shown in the Company's Register are:

<i>Shareholder</i>	<i>Number of Shares</i>
Lion Selection Group Limited	15,193,750
IFG Trust (Jersey) Limited	6,791,665
Trindal Pty Ltd	5,347,629

Distribution of Shareholders

<i>Number of Ordinary Shares Held</i>	<i>Number of Holders</i>	<i>Ordinary Shares</i>
1 - 1,000	306	186,269
1,001 - 5,000	756	2,185,348
5,001 - 10,000	379	2,951,416
10,001 - 100,000	693	19,206,028
100,001 - Over	78	55,411,185
	2,212	79,940,246

At the closing price on SEATS at 23 October 2007 there were 52 shareholders with less than a marketable parcel of shares to the value of \$500

Top Twenty Shareholders of Ordinary Shares as at 23 October 2007

<i>Name</i>	<i>Units</i>	<i>% of Issued Capital</i>
Lion Selection Group Limited	15,193,750	19.01
IFG Trust (Jersey) Limited	6,791,665	8.50
Trindal Pty Ltd	5,347,629	6.69
Fairbairn Trust Limited	3,912,683	4.89
Trindal Pty Ltd <Trindal Super Fund A/C>	3,084,468	3.86
Statsmin Nominees Pty Ltd	1,837,499	2.30
Woolsthorpe Investments Ltd	1,996,137	2.49
IFG Trust (Jersey) Limited	1,470,942	1.84
Willstreet Pty Ltd	1,105,000	1.38
Prof Geoffrey Driscoll + Mrs Jan Driscoll <Driscoll Super Fund A/C>	1,000,000	1.25
Statsmin Nominees Pty Ltd <Statsmin Super Fund A/C>	896,066	1.12
Mr Brian Kenneth Murphy <Murphy's Super Fund A/C>	815,928	1.02
Mr Louis Milton Moyes + Mrs Janet Moyes	681,030	0.85
Yandal Investments Pty Ltd	500,000	0.63
Mr Stig Hakan Hellsing	410,000	0.51
Hui Ma Trading Ltd	337,959	0.42
Brydon Nominees Pty Ltd <D J Brydon Super Fund A/C>	335,000	0.42
Fairbairn Trust Limited <The EMAS Settlement A/C>	324,090	0.41
Citicorp Nominees Pty Limited	316,607	0.40
Mr Donald Fox	300,000	0.38
Total of top 20 holdings	46,656,453	58.37
Other holdings	33,283,793	41.63
Total fully paid shares issued	79,940,246	100.00

Additional Stock Exchange Information

Distribution of Optionholders

<i>Number of Options Held</i>	<i>Number of Holders</i>	<i>Listed Options</i>
1 - 1,000	704	306,248
1,001 - 5,000	267	630,182
5,001 - 10,000	39	276,843
10,001 - 100,000	32	709,604
100,001 - Over	4	1,675,541
	1,046	3,598,418

At the closing price on SEATS at 23 October 2007 there were 383 optionholders with less than a marketable parcel of options to the value of \$500

Top Twenty Holders of Listed Options at 23 October 2007

<i>Name</i>	<i>Number</i>	<i>%</i>
Lion Selection Group Limited	690,625	19.20
Woolthorpe Investments Ltd	592,317	16.46
Fairbairn Trust Limited	408,349	11.35
Mr Louis Milton Moyes + Mrs Janet Moyes	63,111	1.75
Mr Damien McIntyre <Benmac Super Fund A/C>	56,019	1.56
Willstreet Pty Ltd	52,500	1.46
Mr Brian Kenneth Murphy <Murphy's Super Fund A/C>	50,001	1.39
Mr Barry Walter Lea + Mrs Lois Jean Lea	44,803	1.25
Lambrook Proprietary Limited <Raymonde Superfund No 1 A/C>	35,000	0.97
Actonheath Investments Pty Ltd	25,000	0.69
Prof Geoffrey Driscoll + Mrs Jan Driscoll <Driscoll Super Fund A/C>	25,000	0.69
Sedico Pty Ltd <Previn Super Fund A/C>	25,000	0.69
Tierra Rist Pty Ltd	25,000	0.69
Mr William John Goodes + Mrs Lesley Anne Goodes <Goodes Super Fund Account>	20,946	0.58
Mr Leslie Webb	20,000	0.56
Darrelen Pty Limited <Henfam Super Fund A/C>	18,850	0.52
Balmoral Consulting Pty Ltd	18,211	0.51
Brydon Nominees Pty Ltd <D J Brydon Super Fund A/C>	17,500	0.49
Mr John Frederick Bligh	17,230	0.48
Fairbairn Trust Limited <The Emas Settlement A/C>	14,731	0.41
Total	2,220,193	61.7

Additional Stock Exchange Information

Unquoted Equity Securities: Options

<i>The following options were unquoted:</i>	Number
Options exercisable at \$1.18 between 14 August 2005 and 14 August 2010	3,520,000
Options exercisable at \$0.25 between 8 October 2005 and 8 October 2008	20,000
Options exercisable at \$0.25 between 8 October 2006 and 8 October 2008	40,000
Options exercisable at \$0.25 between 8 October 2007 and 8 October 2008	60,000
Options exercisable at \$1.02 between 9 May 2005 and 9 May 2010	40,000
Options exercisable at \$1.02 between 9 May 2006 and 9 May 2010	40,000
Options exercisable at \$1.02 between 9 May 2007 and 9 May 2010	40,000
Options exercisable at \$1.02 between 9 May 2008 and 9 May 2010	40,000
Options exercisable at \$1.02 between 9 May 2009 and 9 May 2010	40,000
Options exercisable at \$1.06 between 29 August 2005 and 29 August 2010	20,000
Options exercisable at \$1.06 between 29 August 2006 and 29 August 2010	20,000
Options exercisable at \$1.06 between 29 August 2007 and 29 August 2010	20,000
Options exercisable at \$1.06 between 29 August 2008 and 29 August 2010	20,000
Options exercisable at \$1.06 between 29 August 2009 and 29 August 2010	20,000
Options exercisable at \$0.96 between 17 February 2006 and 29 August 2011	40,000
Options exercisable at \$0.96 between 17 February 2007 and 29 August 2011	40,000
Options exercisable at \$0.96 between 17 February 2008 and 29 August 2011	40,000
Options exercisable at \$0.96 between 17 February 2009 and 29 August 2011	40,000
Options exercisable at \$0.96 between 17 February 2010 and 29 August 2011	40,000
Options exercisable at \$0.75 between 19 October 2006 and 19 October 2011	10,000
Options exercisable at \$0.75 between 19 October 2007 and 19 October 2011	20,000
Options exercisable at \$0.75 between 19 October 2008 and 19 October 2011	20,000
Options exercisable at \$0.75 between 19 October 2009 and 19 October 2011	20,000
Options exercisable at \$0.75 between 19 October 2010 and 19 October 2011	20,000
Options exercisable at \$1.78 between 12 February 2007 and 12 February 2012	55,000
Options exercisable at \$1.78 between 12 February 2008 and 12 February 2012	55,000
Options exercisable at \$1.78 between 12 February 2009 and 12 February 2012	55,000
Options exercisable at \$1.78 between 12 February 2010 and 12 February 2012	55,000
Options exercisable at \$1.78 between 12 February 2011 and 12 February 2012	55,000
Options exercisable at \$2.12 between 13 April 2007 and 13 April 2012	20,000
Options exercisable at \$2.12 between 13 April 2008 and 13 April 2012	20,000
Options exercisable at \$2.12 between 13 April 2009 and 13 April 2012	20,000
Options exercisable at \$2.12 between 13 April 2010 and 13 April 2012	20,000
Options exercisable at \$2.12 between 13 April 2011 and 13 April 2012	20,000
Options exercisable at \$2.31 between 8 June 2007 and 13 April 2012	40,000
Options exercisable at \$2.31 between 8 June 2008 and 13 April 2012	40,000
Options exercisable at \$2.31 between 8 June 2009 and 13 April 2012	40,000
Options exercisable at \$2.31 between 8 June 2010 and 13 April 2012	40,000
Options exercisable at \$2.31 between 8 June 2011 and 13 April 2012	40,000
Total unquoted options held by 18 optionholders	4,805,000

Notes

Back cover:

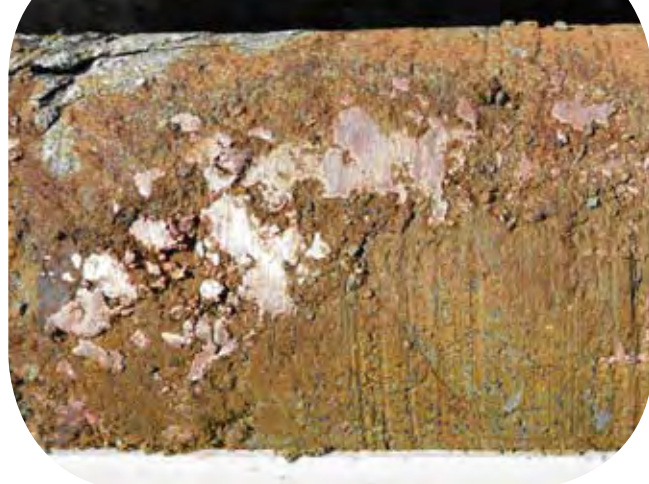
Top: Mutooroo drill core showing massive sulphide ore with abundant copper sulphide in the form of chalcopyrite (brassy yellow mineral), plus pyrrhotite (bronze mineral) and barren quartz (white) from approx. 92 metres depth

Bottom: Kalkaroo drill core from approx. 110 metres depth with rich native copper metal distributed through the weathered host formation

Mutooroo drill core



Kalkaroo drill core



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